



ADUR & WORTHING  
COUNCILS

15 November 2021

**Joint Governance Committee**

<b>Date:</b>	<b>23 November 2021</b>
<b>Time:</b>	<b>6.30 pm</b>
<b>Venue:</b>	<b>Council Chamber, Worthing Town Hall</b>

**Committee Membership:**

**Adur District Council:** Councillors; Andy McGregor (Adur Chairman), Jim Funnell, Catherine Arnold, Kevin Boram, Lee Cowen, Gabe Crisp, Tania Edwards and Rob Wilkinson (Adur Vice-Chairman)

**Worthing Borough Council:** Councillors; Roy Barraclough (Worthing Chairman), Mike Barrett, Louise Murphy, Helen Silman, Emma Taylor, Hazel Thorpe (Worthing Vice-Chairman), Steve Waight and Steve Wills

**Agenda**

**Part A**

**1. Substitute Members**

Any substitute members should declare their substitution.

**2. Declarations of Interest**

Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.

If in doubt contact the Legal or Democratic Services representative for this meeting.

### **3. Minutes**

To approve the minutes of the Joint Governance Committee meeting held on 28 September 2021, copies of which have been previously circulated.

### **4. Public Question Time**

To receive any questions from members of the public.

In order for the Committee to provide the fullest answer, questions from the public should be submitted by **noon on Friday 19 November 2021**.

Where relevant notice of a question has not been given, the person presiding may either choose to give a response at the meeting or respond by undertaking to provide a written response within three working days.

Questions should be submitted to Democratic Services,  
[democratic.services@adur-worthing.gov.uk](mailto:democratic.services@adur-worthing.gov.uk)

*(Note: Public Question Time will operate for a maximum of 30 minutes.)*

### **5. Items Raised under Urgency Provisions**

To consider any items the Chairman of the meeting considers to be urgent.

### **6. Internal Audit Progress Report (Pages 1 - 40)**

To consider a report by the Acting Head of Internal Audit, copy attached as item 6.

### **7. Mid year review of Treasury Management 2021-22, Adur District Council and Worthing Borough Council (Pages 41 - 64)**

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 7.

### **8. Risks & Opportunities Update Report (Pages 65 - 102)**

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 8.

### **9. Community Cohesion Committee (Pages 103 - 114)**

To consider a report by the Interim Director for Communities, copy attached as item 9.

## **Part B Exempt Reports - Not for Publication**

None.

## Recording of this meeting

Please note that this meeting is being live streamed and a recording of the meeting will be available to view on the Council's website. This meeting will be available to view on our website for one year and will be deleted after that period. The Council will not be recording any discussions in Part B of the agenda (where the press and public have been excluded).

For Democratic Services enquiries relating to this meeting please contact:	For Legal Services enquiries relating to this meeting please contact:
Neil Terry Democratic Services Lead 01903 221073 neil.terry@adur-worthing.gov.uk	Maria Memoli Head of Legal Services and Monitoring Officer 01903 221119 <a href="mailto:maria.memoli@adur-worthing.gov.uk">maria.memoli@adur-worthing.gov.uk</a>

The agenda and reports are available on the Council's website, please visit

[www.adur-worthing.gov.uk](http://www.adur-worthing.gov.uk)

**Duration of the Meeting:** Four hours after the commencement of the meeting the Chairperson will adjourn the meeting to consider if it wishes to continue. A vote will be taken and a simple majority in favour will be necessary for the meeting to continue.

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## ADUR & WORTHING COUNCILS

Key Decision: No

Ward(s) Affected: N/A

### **INTERNAL AUDIT PROGRESS REPORT REPORT BY THE ACTING HEAD OF INTERNAL AUDIT**

#### **Executive Summary**

#### **1. Purpose**

- 1.1 This report provides the quarterly report on Internal Audit progress and key findings to the Committee.
- 1.2 This report also provides an update on fraud work conducted by the Councils' Corporate Investigations Team.

#### **2. Recommendations**

##### **2.1 Recommendation One**

That the report be received and progress against the 2021-22 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

#### **3. Context**

##### **3.1 Background**

Each quarter, a report is produced for the Joint Governance Committee (Committee) which details the Internal Audit Section's performance against the Annual Internal Audit Plan as well as a summary of work carried out in the period. Internal Audit Services to the Councils, including the role of the Head of Internal Audit is outsourced to Mazars LLP.

Attached as Appendix 1 is the Internal Audit Progress report to 31<sup>st</sup> October 2021.

## 4. Issues for Consideration

### 4.1 Covid-19

As reported within our previous progress reports to the Committee, Internal Audit continued to operate post the Covid-19 lockdown restrictions from 23 March 2020, but the progression of work from both the 2019/20 and 2020/21 plans was impacted. Our work re-commenced in July 2020 but due to the nature of remote auditing and our reliance on Council staff providing information there have been some delays in the completion of audits and for which there has been a further impact on the current 2021/22 plan.

- 4.2 Resourcing problems, due to unforeseen circumstances, impacted on performance in the earlier part of the year. Resources were focussed on completing 2020/21 work but there is a plan in place to deliver audits in the 2021/22 Plan and we are working to ensure that this is achieved.

### Fraud

- 4.3 We periodically provide an update/summary to the Committee of fraud work conducted within the Councils. This work is not undertaken or managed by Internal Audit and any questions should be directed to the Chief Financial Officer who is responsible for it. Detailed below is an update on the work completed by the Councils' Corporate Investigations Team (CIT) during the period 1/4/21 to 31/10/21.

#### **Successful investigations:**

43 X Housing Register Applications (43 X £3,240) = £139,320

14 X Homeless Assistance Applications (14 X £3,240) = £45,360

1 X Council Tax Reduction = £369.59

Right to Buy Applications (2 X £82,500) = £165,600

**Total savings period 01/04/21 to 31/10/21 = £350,049.59.**

CIT have conducted full pre-investigations on 170 Homeless Assistance applications and 707 Housing Applications, during the period to ascertain entitlement to access social housing within the Adur & Worthing areas. From these pre-investigations, a further 145 full investigations were conducted (87 of which were found to be fraudulent). CIT currently have two cases going to court for long term non-occupancy of Adur Homes properties (Savings value 2 X £82,500 = £165,600) and are currently planning to conduct a full Tenancy Audit of Adur Homes properties, from December 2021.

## 5. Engagement and Communication

- 5.1 Internal Audit hold monthly meetings with the Chief Financial Officer on progress against the plan. Issues arising and potential plan changes are discussed both at these meetings and whenever necessary. This has included specific discussions in relation to the Covid-19 situation and impact on Internal Audit work.

## 6 Financial Implications

- 6.1 There are no financial implications arising from this report.

## **7. Legal Implications**

7.1 There are no legal matters arising as a result of this report.

### **Background Papers**

None

### **Officer Contact Details:**

Dave Phillips, Acting Head of Internal Audit (Mazars LLP)

Town Hall, Worthing

[dave.phillips@mazars.co.uk](mailto:dave.phillips@mazars.co.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

**1.1** Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

The report does not seek to meet any particular Council priority.





**Adur District & Worthing Borough Councils  
Internal Audit Progress Report  
November 2021**

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### ***Disclaimer***

This report (“Report”) was prepared by Mazars LLP at the request of Adur District & Worthing Borough Councils (Councils), and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the Councils, and to the fullest extent permitted by law, Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

## 01 Introduction

Internal Audit is required to provide a quarterly report on progress and key findings to the Joint Governance Committee (Committee).

The purpose of this report is to outline the following in respect of Internal Audit Activity during the period:

- An update on progress in delivering the 2021/22 Plan;
- A summary of any Limited/No Assurance reports issued and high priority recommendations raised; and
- An update on follow up activity and any recommendations outstanding for implementation.

This report covers internal audit activity and performance since our last report to the Committee in September 2021.

## 02 Internal Audit Progress

The Committee considered and approved the 2021/22 Internal Audit Plan (Plan) on 23 March 2021.

The Plan provided for 28 internal audits totalling 500 days, including 70 days for IT audits, 27 days for Contract audit and 40 days for management which includes the Head of Internal Audit role. The audits in the Plan comprised a mixture of key financial systems, service-specific (operational and financial), corporate-wide, and IT reviews.

Due to unforeseen resource issues at the start of the year and following further discussions with the Councils Chief Finance Officer (CFO) and audit sponsors to agree specific timings, changes have been made to the Plan. Further to those reported to the last Committee in September, the following additional changes have been made: :

- *Markets*- Officer capacity to accommodate this was impacted due to the addition of the Public Realm audit. This was discussed with the CFO and it has been agreed that the audit will be postponed to the 2022/23 Plan and the days allocated to Contingency be used for another priority area if required by the Councils.
- *Self-Isolation Grants*- Due to Officers workload and availability to receive this audit, the Manager requested this audit be deferred and undertaken later in the year. We discussed and agreed with the CFO that this audit will be re-scheduled to the 2022/23 Plan.

The impact of these changes along with those previously reported to Committee mean there are 33 reviews totalling 565.50 days in the Plan. The additional days being transferred from the 2020/21 Plan.

The table below provides a summary of progress relevant to the 2021/22 Plan as at 31<sup>st</sup> October 2021:

Audit Status	Number of reviews	Percentage %
Finalised/complete	2	6%
Draft	4	12%
Fieldwork in progress	6	18%
Scoping/Planning complete	12	37%
Not yet started	9	27%
<b>Total</b>	<b>33</b>	<b>100%</b>

For reference, additional detail of the audits, progress and timings, is included in Appendix A1 of this report.

### 03 Audit Reports Issued

We have four categories by which we classify internal audit assurance over the processes we examine: Full, Satisfactory, Limited or None.

Internal Audit categorises recommendations as Priority 1, 2 or 3 to differentiate between the types of recommendation made. These categories give management an indication of the importance and urgency of implementing the recommendations. Details on our Assurance Definitions are contained within Appendix A3.

The table below lists the internal audits for which final reports were issued since our last report to the Committee; all of which relate to prior year reports.

Internal Audit Title	Assurance Level	Planned Year	Previously Reported in Annual Report √ / X
Tenancy Management	Satisfactory	2019/20	√
Community Grants	Satisfactory	2020/21	√
GDPR & Data Privacy – Development Management	Limited	2020/21	√

No Priority 1 recommendations were raised in these reports. Further details of the Priority 2 recommendations raised in each of these reports can be found in the summary briefing provided separately to Members.

## 04 Follow-Ups

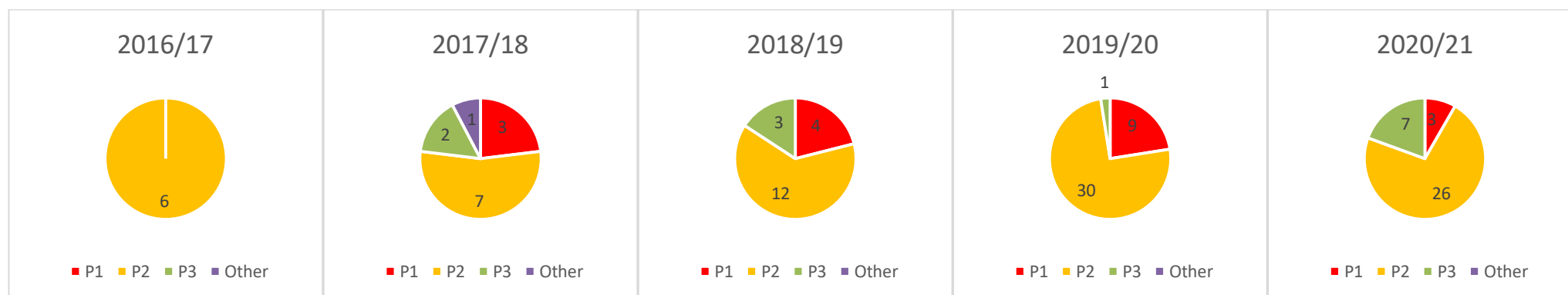
Since the last Committee meeting, the Councils' Audit App has been populated with new recommendations from finalised internal audit reports.

Follow-up audits are undertaken to ensure that all the recommendations/issues raised have been successfully resolved according to the action plans agreed with the service managers. The Councils' target for internal audit recommendations/issues to be resolved at the time of the follow-up is 80% for all priority 2 & 3 recommendations/issues and 100% for priority 1 recommendations/issues.

Performance Objective	Target	Performance (to date)				
		2016/17	2017/18	2018/19	2019/20	2020/21
Percentage of Priority 1 actions implemented	<b>100%</b>	100%	92%	78%	47%	0%
Number of Priority 1 recommendations (for reference)		17	37	18	17	3
Percentage of all actions implemented	<b>80%</b>	96%	91%	89%	63%	27%

Specific details on follow-up performance are included in the briefing note provided separately to Members.

### Outstanding Recommendations by Priority Level



We reported to the Council's CLT on 2 November 2021 regarding the status of outstanding and overdue recommendations. Details have been provided to Directors in order that relevant Officers can be reminded to update the Audit App with progress on implementing their outstanding recommendations. It has also been agreed that the Internal Audit Manager will report to Departmental Management Teams on a regular basis on the status of outstanding recommendations.

In addition to monitoring management updates on progress within the Audit App, Internal Audit can undertake spot checks to confirm that recommendations are being implemented in practice.

A Follow Up Protocol is in place which contains a procedure to escalate recommendations that have not been implemented as agreed to this Committee where necessary. In addition to the 12 previously reported Priority 1 recommendations outstanding, there are four new Priority 1 recommendations outstanding (i.e. past their agreed implementation date). Further detail of outstanding Priority 1 recommendations is included in Appendix A2 of this report.

## 05 Other Matters

This section is used to set out other matters which maybe of interest to the Committee and in **Appendix A4** we have provided details on a recent report produced by Mazars on social value and the issues faced by public and social sector organisations.

Social value has always been at the heart of the public and social sector, it defines its meaning and purpose. ESG (referring to environmental, social and governance matters) is an increasingly common term and is quickly penetrating the public and social sector. ESG is a huge opportunity for sector transformation to reposition environmental and social value at the forefront of decision making across an entire organisation.

Failure to identify and effectively manage ESG-related risks poses serious threats to an organisation's ability to achieve its strategic objectives. In addition, there are wide-ranging opportunities to be seized in the ESG space such as talent attraction and retention, access to funding and increased sustainability and resilience.

Sustainability and ESG encompass a much wider remit than social value. This may be causing confusion as leadership teams struggle to articulate this remit, how best to manage its implementation, and in many cases how to get started. This is particularly true of achieving net zero, which we address in our report.

## A1 Current Progress – 2021/22 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
BEIS Grants - Post Assurance Plan work	WIP	N/A – not opinion work	-	-	-
Key controls testing	WIP				
NFI Testing	WIP	N/A – not opinion work	-	-	-
Street Naming & Numbering	<b>Final</b>	<b>Satisfactory</b>	-	-	1
Governance of Property Purchases	<b>Draft</b>				
Out of Hours Service	<b>Draft</b>				
Payroll	<b>Draft</b>				
Compliance & Enforcement Grant	Complete	N/A – not opinion work	-	-	-
Corporate Governance	<b>Draft</b>				
Cash Collection	WIP				
IT Asset Management	Starts 1/12/21				
Housing - General Compliance	Starts 25/11/21				
Carbon Reduction Programme	Starts 28/2/22				
Anti-Social Behaviour	Starts 24/1/22				
Adur Homes - Regulatory Compliance - Fire Safety	Starts 13/12/21				
Staff Wellbeing	Starts 20/12/21				
Workspaces AW - Accommodation Review	Planned 10/1/22				

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Civica/Connect HR system	Planned 24/1/22				
Planning Policy	Starts 3/12/21				
Adur Homes - Capital works programme	Starts 7/2/22				
Supply of Affordable housing	Planned 14/2/22				
Debt Management	Planned 21/2/22				
Equalities Act Compliance	Starts 24/2/22				
Markets	Postponed to 22/23 Plan	-	-	-	-
Allocation of Costs for Town Centre/Public Realm Improvements	Starts 1/3/22				
Risk Management	Starts 7/3/22				
Welfare Reform	Planned 14/3/22				
Env Services - Risk Assessments	Postponed to Q4 – date to be re-arranged				
Self-Isolation Grants	Postponed to 22/23 Plan	-	-	-	-
<b>Contract Audit</b>					
Theatres - Procurement & Contract Management	WIP				
Condition Surveys contract - vertical audit					
Other contract audit - to be determined					
<b>IT</b>					
Network Infrastructure			-	-	-



Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Disaster Recovery	WIP				
Device Management & Security	Starts 22/2/22				
Cloud Computing	Planned 7/3/22		-	-	-
<b>Total</b>			<b>0</b>	<b>0</b>	<b>1</b>

## A2 Outstanding Priority 1 Recommendations (Past Implementation Date)

### Leaseholder Service Charges (2017-18 Final Report issued March 2018)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p><b>3.1</b> The Council should document a Leasehold Management Policy, which outlines the legislative framework (and timescales) within which it is required to operate for the various leasehold functions and services that it provides.</p> <p>The policy should:</p> <ul style="list-style-type: none"> <li>• Outline any local policy decisions in respect of the management of leaseholders, recovery of charges etc. and detail how these requirements will be achieved;</li> <li>• Clearly state how the Council will deal with major repair costs, including outlining the statutory processes that have to be completed and the timescales to ensure the recovery of costs (e.g. invoice or issue S20B notice within 18 months of cost being incurred; and</li> <li>• State at what level the cost of repairs will be pursued (e.g. minor costs above the £250 legislative rate may not be cost effective for the Council to pursue where there are only a few leaseholders, but if</li> </ul>	<p>There is currently no approved documented policy for Leasehold Management.</p> <p>Where an up to date documented and approved policy does not exist, there is a risk that the Council's objectives and/or responsibilities are not known and may not therefore be achieved.</p>	<p>An overarching policy will be developed. This will be supported by a set of detailed policies and procedures. Work has already begun on identifying those that are required and this will be used as an action plan to ensure all required actions are completed.</p> <p>Deadline - 30<sup>th</sup> September 2018</p>	<p>Update provided by Interim Leasehold Manager confirmed that a policy was drafted but that the process of consultation and approval needed to be agreed and then completed.</p> <p>Update provided by Housing Operations Manager on 4<sup>th</sup> March 2020 confirmed:-</p> <p>The Repairs policy has been rejected on the grounds of a lack of consultation. A clearer consultation strategy will be needed as part of the process of approving this policy. The aim will be to define this in March 2020. The policy may not be approved therefore until after the local election in May 2020. The target for this needs to be revised to May/June 2020.</p> <p>Updated provided by Interim Leasehold Manager on 3<sup>rd</sup> April 2020 confirmed:-</p> <p>Policy drafted. Consultation vehicle or forum for leaseholders needs to be set up in line with AH resident engagement strategy.</p>	<p>30<sup>th</sup> September 2021</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>there were several then the costs and effort would be worth it).</p> <p>Once documented, the Policy should be approved by the relevant senior management, member and committee.</p>			<p>Not practical to progress during Covid situation. Deadline extended.</p> <p>Update provided by Interim Leasehold Manager on 31<sup>st</sup> July 20 stated "Adur Informal Cabinet agreed in July that draft policy could go forward to JSC September and then to leaseholder consultation. Not clear if will have to go back to members hence precautionary backstop revised deadline".</p> <p>Update provided on 9<sup>th</sup> September 20 stated "Draft policy updated after Adur Informal Cabinet; report going to JSC October".</p> <p>Update provided by Interim Leasehold Manager on 6<sup>th</sup> November 2020 stated "Approved JSC October, proceeding with consultation with leaseholders and will then come back to JSC".</p> <p>Update provided by the new Leasehold and Right to Buy Manager stated "The Leasehold Management Policy has been drafted and has been presented for final comments to the newly formed Leasehold Forum, and</p>	

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
			will hopefully be finally signed off by the JSC in Sept".	
<p><b>3.32</b> The Council's Policy in respect of options available to leaseholders for payment of major works should be reviewed, approved by ADC Executive and then consistently applied.</p>	<p>On 15 June 2010, the ADC Cabinet decided the payment option arrangements for leaseholders, this includes the provision of ten year loans. Furthermore, on 13 July 2010 the ADC Cabinet decided additional deferred payment arrangements for works costing more than £5,000 in any financial year.</p> <p>We have not identified any other reports/decisions which revise the decisions taken by the ADC Cabinet in June/July 2010 therefore these decisions would appear to be the most recent and therefore constitute the current policy.</p> <p>These policy decisions are not, however accurately reflected in the current Leaseholders Handbook which states "If you are not able to pay for the cost of major works in full at the time of invoicing, then we offer an interest free loan up to five years depending on the size of the bill and individual circumstances. In this case you will pay in monthly instalments by either direct debit or payment card".</p> <p>The policy decisions were also not detailed correctly in the Paying for Major Works information that was sent to</p>	<p>The arrangements will be reviewed with Finance and Legal. Deadline - 31<sup>st</sup> March 2019</p>	<p>As above.</p> <p>Update provide by Housing Operations Manager on 4<sup>th</sup> March 2020 confirmed:-</p> <p>The Leasehold Manager is drafting options for payment for leaseholders. Once this is completed sign off by Finance will be needed. Finance has been consulted as part of the process of drawing up these options.</p> <p>Update provided on 29<sup>th</sup> June 2020 confirmed this recommendation is being processed in line with other recommendations and the deadline has been revised.</p> <p>Update provided on 9<sup>th</sup> September 2020 confirmed that the updated policy with be presented to Informal Cabinet in Oct/Nov – deadline revised.</p> <p>Update provided by Interim Leasehold Manager on 30<sup>th</sup> November 2020 stated “we are in discussion with Boom about their managing MW extended</p>	<p>30<sup>th</sup> September 2021</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>leaseholders in March 2017 with their invoices. The differences being:</p> <ul style="list-style-type: none"> <li>The interest added column on the Paying for Major works information states 5.4% for all works costing more than £500 yet this is not what is detailed in the decision by Cabinet.</li> <li>The Cabinet decision in June 2010 states that "for loans exceeding £1,500, a Land Registry charge would be taken out" the Land Registry requirement on the Paying for Major Works information states N/A for works costing £1,500-£5,000.</li> <li>The Cabinet decision in July 2010 states the administration fee for deferred payments as £100 yet the Paying for Major Work information states £90.</li> </ul> <p>Our walkthrough of a loan arranged in 2015 has shown that he was advised that the charges added to the loan for £10,998 would be 4.4% interest (reviewed annually), £50 admin fee, £40 Land Registry fee and £295 legal costs. This contradicts the Cabinet's decision which states an administration fee of £90 and a Land Registry fee of £50. Furthermore, the reports to the ADC Cabinet in 2010 made no mention of legal costs (nor did the information sent to leaseholders in 2017). The amounts</p>		<p>payment/"loan" arrangements. Waiting for their proposal. will then go to members".</p> <p>Update provided by the new Leasehold and Right to Buy Manager stated "the Major Works Payment Options Policy has been drafted and has been submitted to the Leasehold Forum for comment, again this will be submitted for sign of by the JSC in Sept".</p>	

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>actually invoiced to this leaseholder were £1209.59 interest (so no annual review), £295 legal costs and £40 Land Registry fee (so no admin fee and incorrect LR fee).</p> <p>We have further confirmed that as a result of invoices sent in February 2017, one leaseholder requested to pay their major works costs (£3,072.49) over a period of 24 months. The email sent to this leaseholder confirms that no interest has been added and that monthly standing order payments should be arranged by the leaseholder. The policy requires DD payments and there is no mention of admin or Land Registry costs that the policy requires and no evidence can be seen on HMS/I@W to confirm that costs have been invoiced.</p> <p>Where approved policies are not known or accurately and consistently applied, there is an increased risk that loans are incorrectly arranged or that incorrect fees are charged. This may result in financial loss to the Council.</p>			
<p><b>3.33</b> Once the Major Works Payment Policy has been decided the Council should review how implementing payment loans/arrangements will for major works will be achieved.</p>	<p>Proper arrangements are required to ensure that the Council effects payment arrangements correctly and in line with any policy and legal requirements.</p> <p>We found some procedures and forms (including a Service Charge Loan</p>	<p>This will be reviewed with Finance and Legal.</p> <p>Deadline - 31<sup>st</sup> March 2019</p>	<p>As above.</p>	<p>30<sup>th</sup> November 2021</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>An agreed process, which reflects policy requirements should be effected to ensure that any future loans/arrangements are correctly actioned. Legal Services and Finance should be involved in any discussions to ensure that all legal and financial requirements are met.</p> <p>The agreed process should be formalised in a documented procedure which details the forms that need to be completed, by whom and when and how supporting information/documentation should be retained.</p>	<p>Application Form) on the N Drive and emails between the Finance and Leasehold teams going back several years. Our examination of this information suggests that the information provided by the leaseholder on the loan application form would seem to be the primary source for calculation of affordability.</p> <p>Any payment arrangements were effected by Finance until April 2016, when the arrangements transferred to the Adur Homes Leasehold Team.</p> <p>We were advised by the Leasehold Officers that they are very unsure regarding the procedures to be followed, whether they are up-to-date, lines of responsibility etc. They also had queries regarding:</p> <ul style="list-style-type: none"> <li>• how instalments and interest would be applied to Owner Accounts;</li> <li>• monitoring;</li> <li>• how the Council would legally stand in recovering any arrears of interest etc. if charges were not made against properties; and</li> <li>• their ability to calculate interest on loans and setting-up loan/instalment agreements with interest;</li> </ul>			

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>We have noted elsewhere in the audit inconsistencies with arranging loan agreements and lack of supporting information which would suggest that current arrangements are not effective.</p> <p>Where a defined process for effecting payment arrangements does not exist, there is an increased risk that arrangements are not correctly made or that legal requirements are not satisfied and this may impact on the Council's ability to recover all relevant costs leading to possible financial loss.</p>			

#### Corporate Governance 2018/19 (Final Report issued March 2019)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>3.8 Mandatory training in respect of governance (such as ethics and risk management) should be provided to all staff when they start at the Councils, as a refresher on a tri-annual basis and when any legislative changes occur. The Monitoring Officer should consult with Human Resources (HR) through the People Working Group or by other means in order to highlight issues and gaps in officer awareness, and identify</p>	<p>There is currently no mandatory governance training provided to staff and there is no longer centralised induction training provided where such issues may be raised.</p> <p>Whilst we noted that HR are currently in the process of reviewing training provision, including at time of induction, through the People Working Group, the group did not</p>	<p>Governance and Decision Making Training has been offered on 3 separate occasions to all Senior Managers, Heads of Service &amp; Directors during the last 6 months. This included training about key and exempt decisions.</p> <p>Training on Scheme of Delegations to Officers is being undertaken on a one to one basis</p>	<p>Update provide by Monitoring Officer on 24<sup>th</sup> February 2020 confirmed that "induction training is being developed. It is anticipated that this will cover ethics, officer code of conduct, risk management, officer scheme of delegations, committee structure, decision making and key and</p>	<p>30<sup>st</sup> April 2021</p>



<p>satisfactory means by which relevant staff could have these areas matched to their training plans.</p>	<p>that time have any representation from Legal/Democratic Services.</p> <p>During the audit we noted a number of areas in which officers expressed reservations about wider staff awareness of core governance requirements including:</p> <ul style="list-style-type: none"> <li>• The need to register and publish notice of key and exempt decisions at least 28 days in advance; and</li> <li>• The need to inform the Monitoring Officer of any sub-delegations of duty.</li> </ul> <p>Where officers are unfamiliar with governance requirements, there is a risk that constitutional and/or statutory responsibilities will not be met which could result in unlawful or mismanaged decisions and actions.</p>	<p>with each Head of Service and their managers and there is a rolling programme being undertaken to review all sub delegations and publish the register of sub- delegations. It is anticipated this will be completed by December 2019.</p> <p>Training on ethics should be completed by line managers at induction time with reference to the Officer Code of Conduct and Protocol for Relationships which form part of the constitution and are available to all staff on the website.</p> <p>Deadline - 31<sup>st</sup> December 2019</p>	<p>decisions, exempt information and access to information.</p> <p>It is anticipated that a cycle of the training being delivered every 6 months to new starters will commence this summer”.</p> <p>Deadline has been revised to allow for first cycle of training to be conducted.</p> <p>Update provided by Monitoring Officer on 6<sup>th</sup> November 2020 confirmed Governance and decision making training (28 day notice, publication of decisions etc) was completed in October 2019 and sub delegation training was conducted with every head of service by the end of 2019.</p> <p>Induction training on governance matters is not yet in place.</p> <p>The deadline has therefore been extended to allow for the completion of this training.</p> <p>The Interim Head of Legal confirmed that she needs to review this and will provide an update.</p>	
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**Building Services – Stocks & Stores 2018/19 (Final Issued October 2019)**

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>3.2 Adur Homes should develop a policy that defines, amongst others:</p> <ul style="list-style-type: none"> <li>- How Building Services will procure materials (i.e. through the use of one contracted supplier and/or the use of local suppliers);</li> <li>- The quality standards expected when purchasing materials;</li> <li>- Levels of stock to be held;</li> <li>- Considerations to be made when purchasing (i.e. whether purchasing more costly LED lights will reduce Operative and overhead costs in the long term);</li> <li>- Any specific brands to be prioritised when purchasing, considering any historic use of these and the lower cost and time implications in replacing these; and</li> <li>- When and/or how the Service will stock vans (i.e. Operatives are only given the supplies to do each job and/or there will be a minimum stock level of certain types of incidentals such as nails, screws or other materials that they keep on each van).</li> </ul> <p>Where standards are established, they should be documented and reviewed on an annual basis. Management</p>	<p>Maintaining a Policy on how equipment and materials are procured, standards required and van stocking etc. will assist management ensure that materials and equipment is purchased and used in line with both service and Council objectives (such as the Sustainable Procurement Strategy).</p> <p>We confirmed that at present, Building Services do not have any contract arrangement with a particular supplier for the provision of materials and equipment. Furthermore, there is no documented policy in place defining how the Service will procure its materials, standards required, stock levels, or how it will stock its vans.</p> <p>Where there is no written policy in place determining how materials are purchased etc, there is an increased risk that irregular and/or inadequate purchasing/stocking occurs leading to poor value for money, non-compliance with Council objectives, inefficiencies and possible financial loss.</p>	<p>The proposed direction of travel is to outsource the management of stocks and stores and a suitable point in the future.</p> <p>The need to create some interim policy/procedure or guidance is accepted so that the stocks and stores can be managed in the interim in order to improve our scrutiny and compliance.</p> <p>Deadline - 31<sup>st</sup> March 2020</p>	<p>Update provided on the 7<sup>th</sup> July 2020 by the Housing Operations Manager confirmed “There have been a few decisions made about this matter both within Adur Homes and with a wider procurement group. An in principle decision has been made to outsource the bulk of our stores purchasing in a potential 3 - 5 year contract.</p> <p>The two decisions remaining will be:</p> <ul style="list-style-type: none"> <li>• How we run down our existing stock and manage risk</li> <li>• The level of threshold stores that we will retain’ somewhere between £3K - £10k.</li> </ul> <p>We are significantly adrift of audit timelines at present. The main cause of this has been the delay in appointment of the new Repairs Modernisation Manager post and the impact of Covid”.</p>	<p>31<sup>st</sup> December 2021</p>

<p>should then monitor to ensure that standards are met.</p>			<p>Update provided on 9<sup>th</sup> Sept 20 states that:-</p> <p>Adur Homes are working with procurement on creating a 2 - 3 year framework contract for procuring future stocks and stores. A preferred framework had been identified (PFH) and a provisional timetable for moving across from the current arrangement to the new one. As well as the procurement exercise there will be a need to follow internal governance arrangements.</p> <p>It is anticipated that the new Framework will be in place from January 2021 onwards. This will address the following issues highlighted in the audit in due course.</p> <ul style="list-style-type: none"> <li>- How Building Services will procure materials</li> <li>- The quality standards</li> <li>- Considerations to be made when purchasing</li> <li>- Levels of stock to be held;</li> <li>- When and/or how the Service will stock vans</li> </ul> <p>Procedural guidance will be developed in parallel with the above under the headings indicated. These will show interim arrangements for the period October 2020 - January 2021 and then future</p>	
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			<p>arrangements from January 2021 onwards.</p> <p>Updated provided on 27th October 2020 confirmed that arrangements will not be in place until the procurement has been completed. Deadline extended.</p> <p>Update provided on 24<sup>th</sup> August 2021 confirmed that the procurement is out to tender. Deadline extended.</p>	
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#### Housing Repairs – Matsoft Processes 2018/19 - (Final Issued March 2020)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>3.17</p> <p>1) Adur Homes should review the arrangements in place for the contractors used to provide repair works, and where necessary, arrange for contract procurement exercises to be undertaken.</p> <p>2) Furthermore, regular meetings should be held with contractors to whom Adur Homes regularly allocate repair works and action points arising from each meeting should be documented. The Dashboard information on pending jobs should be used in contract management meetings</p>	<p>The Council's Contract Standing Orders require that where spend over certain levels occurs, specific procurement processes are followed in order that contracts are in place for the provision of services. Regular contract monitoring meetings help to ensure that the performance of contractors is discussed and dealt with in a timely manner.</p> <p>It was established from discussions with the Contracts Compliance Manager that, for many of the contractors used by the Repairs service, there is no contract or Service Level Agreement (SLA) in place and regular contract monitoring meetings do not take place. We also noted his concerns that where arrangements are</p>	<p>Agreed. There has been a recent meeting with Procurement and Directors to look at the Contracts Register and create a programme to review contractors used in order to get contracts and Service Level Agreements (SLAs) in place. For each contractor used the review should look at and consider spend, value for money and current service.</p> <p>Deadline – 30<sup>th</sup> November 2020</p>	<p>Update provided on 1 July 2021 states "We have identified the top 4 most urgent contracts to procure and are working on the specification. We also have an external consultant working to help writing the documents.</p> <p>Recommendation is partly implemented - deadline extended.</p>	<p>31<sup>st</sup> December 2021</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>not in place that the Council has limited means of ensuring a job is completed in time, see example in recommendation 3.8 where a job has been waiting completion by a specific contactor since June 2018. The recommendation in relation to contract monitoring meetings was also raised in the 2017/18 Housing Repairs audit report.</p> <p>Where contracts are not in place for companies providing regular repairs works, there is a risk that the Council is failing to comply within its' Contract Standing Orders. Where there is no contract in place with a works supplier there is a risk that the Council has no means of enforcing that contractors complete works in the required timescales and this may lead to poor customer service. Where there are no regular monitoring meetings, there is a risk of inadequate control over the performance of contractors.</p>			
3.24 Adur Homes' management should discuss with Digital how the system can be enhanced to require post inspection of repair projects costing over £1,000.	Adur Homes has a Post Inspections Policy requirement for all jobs with an invoiced value of £1,000 or more to be post inspected. The way that the Mats system is set up means that jobs are now known as Repair Projects which consist of "jobs", some of which are works whilst others are activities such as inspections. Through discussion with the Contracts	This issue has been raised with Digital and included within the requirements for Stage 2 development of the system.  30th September 2021 (for enhancement of system).	No update yet provided	None set yet

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	Compliance Manager, we were advised that the Mats system only automatically selects jobs over £1,000 for post inspection and not Repair Projects, which may consist of smaller SOR elements that total £1,000. The service are not therefore post inspecting all works over £1,000 in line with their policy and there is a risk that projects costing over £1,000 are not being post inspected.			

#### Rent in Advance/Rent Deposit Scheme 2019/20 (Final Issued March 2020)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>3.3 Every form used in the Rent in Advance/Rent Deposit (RiA/RD) process which is used to collect the personal data of the client (and/or their family members) needs to be reviewed and a relevant privacy notice added.</p> <p>Furthermore, where personal data is collected and recorded within forms and the Councils are relying on a client's consent to process the information then the relevant consent(s) need to be obtained.</p> <p>The Housing Needs Manager should liaise with the Councils' Senior</p>	<p>The Data Protection Act (DPA) 2018 and General Data Protection Regulation (GDPR) contain specific requirements that the Councils must comply with when collecting and processing a client's personal data, including obtaining consent and providing privacy notices.</p> <p>From our examination of the 'In Principle Financial Assistance Approval' and 'Vulnerability &amp; Suitability' forms we noted that neither contain any details about consent or a privacy notice.</p> <p>As some of the information required to be provided in the 'Vulnerability &amp; Suitability'</p>	<p>These forms are part of the homelessness prevention process and are therefore covered by the consents given when a homelessness application is made. The Homeless application form also includes the link to the Councils privacy notice which specifically relates to homelessness related processes.</p> <p><b>Audit Comment</b> – Advice sought from the Councils SIGO has confirmed a privacy notice link is required on all forms which are</p>	No update yet provided.	None set yet.

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
Information Governance Officer (SIGO) in order to effect this.	<p>form can relate to disabilities or illnesses, the personal information being provided is considered sensitive personal data and is therefore subject to more rigorous requirements under the DPA 2018. Furthermore, as sensitive personal information relating to any other residents in the same dwelling as the client is also being requested, separate privacy notices for these other residents will also be required.</p> <p>Where the required consent and privacy notices are not contained on forms, the Council is in breach of the DPA 2018 and GDPR and should the ICO investigate this the Council may face significant fines.</p>	<p>used to collect personal data and that depending on the process, consent information may also be required. Therefore we recommend that the SIGO is contacted in order to review the process and confirm whether consents are required within these forms.</p> <p>Housing Needs Manager – Agreed Deadline – 30<sup>th</sup> June 2020</p>		

#### Regulatory Compliance (Housing) – (Final Issued August 2020)

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
3.4 Adur Homes should review when the last Asbestos management surveys were undertaken and urgently progress any outstanding ones. Furthermore, the outcomes of the surveys should be recorded and monitored, and a monitoring process should be effected	Section 4 of the CAR12 requires that every property has to have an asbestos management plan and that an asbestos register is retained. Asbestos surveys are required to be conducted every 12 months. An 'Asbestos Management Survey' spreadsheet exists to record where asbestos has previously been	<p>We have recently undertaken re-inspections on our blocks and this will continue to be done annually.</p> <p>We are still lacking data for many of the dwellings and do not have an up to date asbestos register that can be viewed and edited onsite, Adur and Worthing</p>	Update provided on 29 <sup>th</sup> December 20 confirmed that "Adur Homes do not have anyone in position to progress this action at present, so this action deadline will need to be extended".	31 <sup>st</sup> December 2021

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
to ensure that assessments are undertaken every 12 months.	identified within housing properties. We tested a sample of ten properties to establish when the last asbestos survey had been completed and found that: <ul style="list-style-type: none"> <li>• nine had not had a survey carried out within the last 12 months, (eight were last undertaken in 2017 with the remaining one in 2018), and</li> <li>• the outcomes of two surveys had not been recorded on the 'Asbestos Management Survey' spreadsheet. Where the Council does not carry out an asbestos survey every 12 months, the Council is in breach of the regulations and can face penalties. There is also a risk that residents health and safety is put at risk leading to potential lawsuits, financial penalties and reputational damage.</li> </ul>	Councils are in the process of purchasing an asbestos management system called Alphatracker which will store all of our asbestos surveys and data and will be able to be viewed and edited from site so that records remain up to date.  Deadline - 1 <sup>st</sup> December 2020	1st July 2021 update states "The C&FSM has now been recruited (18/01/21) once their training is completed they will be reviewing the risk assessments and identifying where further action is required. This is currently being looked at by our external contractors. They are carrying out a gap analysis of properties and garages. They will then procure a contractor to carry out these works. looking to use t100 to help monitor and record actions/requirements".  Deadline extended	
3.7 Management should monitor and record the outcomes of inspections and/or maintenance visits to ensure any rectification needed is identified. Management should also ensure that any rectifying actions undertaken address the issues originally identified/raised. Where applicable, any documentation (inspection reports, new certificates etc) received which support the completion of rectification works should be retained. Rectification of recommended actions and/or issues identified should be performed in a timely manner and/or in	Any issues identified during regulatory inspections should be remedied in a timely manner to ensure that staff and the public are safe and that Council is compliant with relevant legislation. Testing of the inspections required across 60 properties (for the six different key areas examined) found that: <ul style="list-style-type: none"> <li>• Asbestos: Eight (out of ten) properties needed follow up works to be carried out as asbestos had been identified as part of the most recent inspections (2017/18) but no follow up works had been evidenced as carried out for these eight properties.</li> <li>• Electrical: Two (out of ten) properties tested included</li> </ul>	Agreed, any actions arising from compliance inspections should be recorded and rectified in a timely manner. <ul style="list-style-type: none"> <li>• Asbestos: We have recently undertaken re-inspections of all sites which have asbestos identified in the 2017/18 reports, any actions required as a result of these inspections will be recorded and prioritised accordingly. Mark Whitfield is assisting us with reviewing the re-inspections as Adur Homes does not currently</li> </ul>	This action has been partially resolved, For <b>Gas</b> compliance we employ PCM to review LGSR certificates, installations and servicing. PCM raise issues directly with the gas servicing contractor (K&T) and provide Adur Homes with a monthly report which details any open issues. This data will also be reviewed in contract management meetings.  For <b>Electrical</b> we have a process whereby the electrical contractor will submit a request for remedial	31st December 2021



Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>line with established timescales (i.e. recommended by specialists or legislation).</p>	<p>recommendations as a result of the most recent inspections undertaken. These were all 'C3' recommendations which are deemed to be 'best practice' and non-urgent. We confirmed that for one of the properties remedial actions were taken in December 2018 but for the remaining property no works had been undertaken.</p> <ul style="list-style-type: none"> <li>• Water/Legionella: All ten properties tested had recommendations raised as part of the most recent report obtained from Envirocure in January and February 2019 but none of these recommendations were acted upon until work notices were issued on 23 January 2020 for all properties.</li> <li>• Lifts: Two (out of ten) lifts tested where in need of further remedial actions. In one case this was undertaken 76 days from the report/inspection date. For the remaining case, there was no evidence of remedial works being undertaken. Both these cases were stair lifts and not passenger lifts.</li> <li>• Gas: In all ten cases inspections had been undertaken and none of the properties tested had any follow-up actions noted.</li> <li>• Fire: Seven (out of ten) properties had a Fire Risk Assessment completed within the last year, the reports were retained and results recorded. The other three were in progress.</li> </ul> <p>Where issues identified from compliance checks are not rectified in a timely</p>	<p>have a member of staff with P405 qualification.</p> <ul style="list-style-type: none"> <li>• Electrical: Due to budget pressures we do not undertake C3 recommendations unless the property is in an overall state whereby it requires a rewire due to other C1 and C2 failures. It is not a regulatory requirement for the Council to undertake C3 recommendations.</li> <li>• Legionella and Lifts: All actions have now been completed, we are looking to increase staff resources in compliance so that each of the services has an assigned contract manager. Currently the Compliance Manager is responsible for all services within compliance which. A Compliance and asset management system would automate this and would highlight areas of noncompliance via regular reporting. We currently have to manage action lists across compliance manually which can lead to actions being missed due to time pressures and human error.</li> <li>• FRA: There have been some minor delays with fire risk assessments but we are now on target o have all sites fire risk</li> </ul>	<p>works following an electrical test via our repairs system, this ensures that any instances of non-compliance are tracked and resolved in a timely manner. This data will also be reviewed in contract management meetings.</p> <p><b>Asbestos</b> - We use Functio Ltd to undertake reviews of asbestos management surveys, the outcomes of these are monitored in the asbestos task and finish group. We are aware that we need to undertake more monitoring of all surveys and are currently seeking to recruit a Housing Compliance and Fire Safety Officer to fulfil this duty.</p> <p><b>Legionella</b> - Following water risk assessments and monthly sampling being undertaken, any defects or remediations are quoted via email, follow on jobs are then raised and are monitored via our repairs system. We are in the process of making our water service provider an online contractor so that defects can be raised and monitored on the compliance system which will ensure that defects are tracked and reported on by the 31st</p>	

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>manner and management do not monitor these to ensure that rectification occurs in a timely manner, there is an increased risk that the Council continues to be non-compliant and risks the health and/or safety of the public/staff.</p>	<p>assessed within the required timescales (annual for Sheltered and Bi-annual for General needs). Maintenance Manager Deadline – 1<sup>st</sup> November 2020</p>	<p>December 2020, this data will also be reviewed in contract management meetings.</p> <p>Can we extend the deadline until 31<sup>st</sup> January 2021 as we are in the process of recruiting to a post which if successful will enable us to carry out the additional asbestos monitoring.</p> <p>Update provided on 24<sup>th</sup> December stated "Recruitment of the Compliance Fire Safety Officer role has been completed and expected start date is 12<sup>th</sup> January 2021. The new recruit will need to undertake the relevant Asbestos training, before any asbestos monitoring can be carried out, so this action will also need to be extended".</p> <p>I July update states " Emergency lighting function and discharge testing and weekly fire alarm testing is now on T100. This allows the results to be tracked and prompts users to raise remedial works should it be required. SHO's and Building Services are using these checklists. The FSM and C&amp;FSO monitor T100 for</p>	

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
			<p>compliance. FRAs are now 80% on T100 and all actions from the FRAs have been uploaded and allocated. In addition to previous comments, we are looking to use t100 to ensure records and requirements of estate inspections are recorded, this is being undertaken in conjunction with NPS".</p> <p>Deadline extended.</p>	

**Management of the Commercial Property Portfolio 2019/20 - (Final Issued October 2020)**

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>3.2 The Councils should ensure background checks are completed on all new tenants. Evidence of this should be maintained in a centralised location in order that both the Estates and Legal teams have access.</p>	<p>Undertaking and maintaining supporting evidence of background and identity checks will assist the Councils confirm that their properties are only let to bone-fide persons.</p> <p>During the audit we confirmed with both the PIM and Legal Services that background and identity checks are not being performed in respect of new tenants.</p> <p>Where background and identity checks are not completed on new tenants and</p>	<p>Where properties are marketed through appointed agents (RICS) Anti-Money Laundering checks are undertaken by the Councils' agents, however we propose that installation of a new process (and addition as part of the lease renewal process on the app) to check tenant identifications. Reference and learning will be undertaken from <a href="https://www.rics.org/globalassets/rics-website/media/upholding-">https://www.rics.org/globalassets/rics-website/media/upholding-</a></p>	<p>Update provided on 12<sup>th</sup> January 2021 by Property &amp; Investment Manager states "In relation to the AML requirements, significant progress has been made. The Principal Property Surveyor has met with Legal and Finance colleagues to put in place a new process. The Council must have an appointed AML officer, which is currently un-filled and following the most recent departure of the Head of Legal, information is</p>	<p>31<sup>st</sup> March 2021</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<p>the evidence held in a central location, there is a risk that Council properties may be let to persons whom the Council has no knowledge of. This may lead to inappropriate use of Council premises and/or loss of income if the new tenant has financial issues.</p>	<p>professionalstandards/standards-of-conduct/countering-money-laundering-1st-edition-rics.pdf and a relevant whole team CPD to ensure that both officers are trained and understand both the process and risks associated. Work will also be undertaken to provide assurance that these checks are being undertaken and legal services consulted as part of the above.</p> <p>Deadline - 31<sup>st</sup> December 2020</p>	<p>awaiting from the Interim Head of Legal as to where this responsibility will sit. It is expected that this role will take responsibility for completing any required AML checks for property transactions. We will continue to work with legal colleagues to agree this process and work is underway but unavoidably delayed to-date”.</p>	
<p>3.5 Lease renewal processes should be started in sufficient time to allow for the new lease to be completed to take effect when the current lease expires. Starting the renewal process well before expiry would also provide the Council with the time to re-let the premises should the current tenant not wish to renew their lease.</p>	<p>Timely lease renewal ensures that the Councils can complete renewal processes or re-letting of the lease prior to the current lease expiring and thus ensuring that income is maximised.</p> <p>From our testing on a sample of ten lease renewals we identified:</p> <ul style="list-style-type: none"> <li>- two instances (191017 and 200214) where the DAR was signed off by the PIM after the lease expiry date; and</li> <li>- four instances (191007, 191017, 191031 and 200214) where the new lease was not completed in a timely manner (being 31, 117, 91 and 155 days respectively) between the lease expiry date and the new lease date.</li> </ul> <p>Where lease renewals are not carried out in a timely manner, there is an increased</p>	<p>This is agreeable for leases that are contracted out of the Landlord and Tenant Act 1954. For properties that hold over or have acquired ‘act rights’ and have a legal right to a continuation tenancy timing is not of the essence and property managers are able to take a view on potential risk of reducing the income or impacting the flexibility to end the secure tenancy by triggering a new lease if this is not necessary. For leases that are contracted outside of the LTA '54, renewals should be undertaken in sufficient time. Ongoing and regular tenant engagement is critical to helping property management surveyors make informed decisions in</p>	<p>No update provided</p>	<p>None set yet</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	risk that there is a period where no lease agreement is in place and this may result in loss of income.	relation to the portfolio management with regards to tenants' plans and potential voids etc. Additional capacity in the estates team means that inspections are already undertaken in a more timely manner and the lease expiries noted above and those considered as part of the audit. Where renewals are not completed prior to expiry tenants should be put on a tenancy at will to cover any interim period and will enable both parties positions to be protected. New leases can be backdated and this should only be used for shorter periods of up to 1 year unless a highly complex cases. Where possible new leases should be in place prior to expiry, or at least heads of terms agreed.  Deadline 31 <sup>st</sup> March 2021		
3.7 Rent reviews should be conducted in a timely manner. Where it is not possible to conduct the review when it is due or there is a delay in conducting the review, the reason should be recorded within the App against the relevant property for future reference.	Rent review requirements, and the date they are due, are stipulated in the lease. Completing rent reviews in a timely manner assists the Councils in ensuring that any rent changes are effected as near to the review date as possible in order that the Council can maximise rental income. From our testing of the two rent reviews undertaken during the last year we identified that both were not	There are often strategic and political reasons for rent reviews not being implemented and it is thought that this will be exacerbated as a result of the current Covid-19 pandemic. Legally rent reviews, unless stated in the lease, are not 'time of the essence'. It is accepted that undertaking rent reviews in a	No update provided	None set yet

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	completed in a timely manner from when they were due. One was completed in excess of two years after it was due and the other was completed six years after it was due. Where rent reviews are not completed in a timely manner, there is an increased risk that rental income is impacted.	timely manner reduces the risk to loss of income. We would agree that tenants should be notified of rent review at the rent review date and negotiations undertaken in a timely manner where appropriate for the individual tenancy and circumstances. Where there are reasons for not progressing rent reviews in a timely manner, these will be clearly documented in the notes section of the Estates App.  Deadline 29 <sup>th</sup> June 2021		

**Project Management 2020/21 - (Final Issued June 2021)**

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>2.3 It should be made clear to Council staff involved in projects that “project manager” is not a loose term but a specific role. It should be an individual who is personally responsible for reporting the project’s progress to the Scrutiny and Risk Officer.</p> <p>Also, the Scrutiny and Risk Officer must take special care to ensure that the records of project managers are accurate.</p>	<p>During the audit testing, it became clear that the list of project managers that we had been provided with was inaccurate.</p> <p>Several individuals named on the list as project managers replied to tell us that they were not. In some cases, confusion also ensued as to who the project manager was. For example:</p> <ul style="list-style-type: none"> <li>Coast Protection Works: Shoreham Harbour Wall Project – the project</li> </ul>	<p>The Councils do not have a Project Management Office. Not all projects are managed by dedicated project management resources within Services.</p> <p>However, Projects are reported through the Platforms for Places: Going further reporting process and it is clear in these documents who the appropriate lead officer is. At a project level, however, the Councils recognise that there does</p>	<p>Update provided by Policy Officer on 11<sup>th</sup> September 21 stated “further time required to complete this work”.</p> <p>Deadline extended</p>	<p>31<sup>st</sup> December 2021</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>The Scrutiny and Risk Officer should request and receive regular updates on projects progress and so should take care to update the project details in records when updates are received.</p>	<p>manager was named as Cian Cronin, but it is Phil Graham; and</p> <ul style="list-style-type: none"> <li>Miscellaneous: Customers of Concern – project manager was quoted as Simon Millier, but it is Mark Whitfield.</li> </ul> <p>Even in other cases, it became clear that “project manager” is not always treated as a specific responsibility assigned to an individual, leading to some confusion about whether some individuals were or were not project managers.</p> <p>Without accurate records of who project managers are, there is a risk that project management efforts will be highly ineffective.</p>	<p>need to be better recognition of who is the Project Manager and who is the Project sponsor and this will be addressed.</p> <p>Deadline 31<sup>st</sup> October 2021</p>		
<p>2.4 The Scrutiny and Risk Officer should create a shared drive for maintaining key documentation relating to projects.</p> <p>The PMF should be amended to include the requirement to save documentation centrally.</p> <p>Where applicable, project managers themselves or the Scrutiny and Risk Officer should be responsible for uploading such documentation.</p> <p>When there is a single, coordinated location for key documentation to be retained, it can be assumed that</p>	<p>There is no central retention of key project documentation.</p> <p>During the audit, we intended to test a sample of 10 projects to ensure that controls have been operating effectively.</p> <p>None of the documentation that we required was retained centrally by the Scrutiny and Risk Officer. As a result, it was necessary to request it from individual project managers.</p> <p>Over the course of several weeks and numerous follow-ups, there were still four projects for which we had received no documentation at the end of audit fieldwork:</p>	<p>The Councils do not consider that a fully centralised system is achievable, however, clear expectations will be set for Project Managers to address the issues raised in this recommendation. As part of the Project Management framework refresh the Councils will indicate that we expect Project Managers to create a shared google document structure which allows access for stakeholders to access project information.</p> <p>Deadline 30<sup>th</sup> September 2021</p>	<p>Update provided by Policy Officer 11<sup>th</sup> September 21 stated “further time required to complete this work”.</p> <p>Deadline extended</p>	<p>31<sup>st</sup> December 2021</p>

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>documentation not maintained there does not exist.</p> <p>This allows exceptional projects to be quickly identified without the need for weeks of additional document searching.</p>	<ul style="list-style-type: none"> <li>• Allotments: Rolling programme of replacements and improvements (Works to include pathways, old water pipes and fencing)</li> <li>• Park &amp; Open Spaces: Buckingham Park - Contribution to the replacement of the pavilion</li> <li>• Public Health: Asbestos removal from Council buildings</li> <li>• Delivering Good Services: SaaS Solutions – Building Control</li> </ul> <p>In addition to restricting our ability to verify the effectiveness of controls, this poses many risks in itself.</p> <p>The fact that the Scrutiny and Risk Officer have no centralised access to this documentation means documentation cannot quickly be inspected to ensure that projects have been properly approved.</p> <p>Indeed, as noted below, a project was identified in testing that had not completed all necessary steps for approval but was in the Scrutiny and Risk Officer's records as "ongoing".</p> <p>This creates an acute risk that projects that have not followed the Councils' PMF will not be identified and corrected.</p>			
<p>2.5 As above, the Scrutiny and Risk Officer must ensure that all necessary steps in the planning and executing of a</p>	<p>As noted above, there were four projects in which no documentation was provided,</p>	<p>The Councils will do some follow up training for staff from Autumn 2021 to clarify the project cycles.</p>	<p>Update provided by Policy Officer 11<sup>th</sup> September 21 stated "It has not been possible for this work to be undertaken and more</p>	<p>31<sup>st</sup> December 2021</p>



Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
<p>project are followed, and documentation is retained.</p> <p>In addition to centralised document retention (which would make gaps in documentary evidence more obvious), the Scrutiny and Risk Officer should track the stages at which each project stands and ensure that all necessary documentation for that stage has been completed before projects progress.</p>	<p>despite repeated attempts to contact the named project managers.</p> <p>In addition, for the six projects that we did examine, there were various pieces of project documentation that the project managers were unable to provide. For example:</p> <p><i>Consideration and approval by a project board</i></p> <p>This was not provided for:</p> <ul style="list-style-type: none"> <li>• Coast Protection Works: Shoreham Harbour Wall Project</li> <li>• Crematorium: Provision of a walkway above the cremators to enable maintenance and ventilation to the roof area above the cremators</li> </ul> <p><i>Project evaluation</i></p> <p>This was not provided for:</p> <ul style="list-style-type: none"> <li>• Crematorium: Provision of a walkway above the cremators to enable maintenance and ventilation to the roof area above the cremators</li> <li>• Miscellaneous: Customers of concern: <ul style="list-style-type: none"> <li>• Moving to digital operating models: CRM</li> </ul> </li> <li>• Communities: Tascomi Environmental Health and Licensing</li> </ul> <p><i>Approval to close</i></p>	<p>Deadline 31<sup>st</sup> October 2021</p>	<p>time is required. A revised deadline has been set.”.</p>	

Recommendation (Reference & content)	Findings and Risk as outlined in Final Audit Report	Agreed Action, Comments & Original Implementation deadline	Follow Up Comments	Proposed Completion Date
	<ul style="list-style-type: none"> <li>• Crematorium: Provision of a walkway above the cremators to enable maintenance and ventilation to the roof area above the cremators</li> <li>• Moving to digital operating models: CRM Communities: Tascomi Environmental Health and Licensing</li> </ul> <p>In addition to there being an incomplete audit trail, this also leads to a risk of projects which are not progressing in line with agreed milestones not being identified and remedial actions being taken in a timely manner leading to failure of projects. This in turn could lead to significant financial and reputational damage to the Councils.</p>			

## A3 Definitions of Assurance

Definitions of Assurance Levels		
Level	Description	
Full	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.	
Satisfactory	While there is a basically sound system, there are weaknesses that put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.	
Limited	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.	
No	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.	
Definitions of Recommendations		
Priority	Definition	Action required
Priority 1 (Fundamental)	Major issues for the attention of senior management and the Joint Governance Committee.	Remedial action must be taken urgently and within an agreed timescale.
Priority 2 (Significant)	Other recommendations for local management action.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Priority 3 (Housekeeping)	Minor matters.	Remedial action should be prioritised and undertaken within an agreed timescale.

## A4 Demystifying ESG – A pathway to enhance social value in the public and social sector

Our latest research, based on a survey of 57 public and social sector leaders, highlights the challenges and progress being made with ESG. The report is available to download via the link below and focusses on the issues specifically faced by public and social sector organisations.

### Demystifying ESG

[Download here](#)





ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
23 November, 2021

Joint Strategic Committee  
7 December, 2021

Key Decision : No  
Ward(s) Affected: All

## MID YEAR REVIEW OF TREASURY MANAGEMENT 2021-22, ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

### REPORT BY THE DIRECTOR FOR DIGITAL AND RESOURCES

#### EXECUTIVE SUMMARY

##### 1. PURPOSE

- 1.1 This report asks Members to note the Treasury Management mid-year performance for Adur and Worthing Councils at the 30 September 2021, as required by regulations issued under the Local Government Act 2003.

##### 2. RECOMMENDATIONS

- 2.1 The Joint Governance Committee is recommended to note this report, including the recommendations for additions to the counterparties contained in section 4.3, and refer any comments or suggestions to the Joint Strategic Committee meeting on the 7th December 2021.
- 2.2 The Joint Governance Committee is recommended to note that the contract for Treasury advice is due for renewal on 1 April 2022 and the Chief Financial Officer will be re-procuring the contract.
- 2.3 The Joint Strategic Committee is recommended to note this report and the recommendations for additions to the counterparties contained in section 4.3.
- 2.4 The Joint Strategic Committee is recommended to note that the contract for Treasury advice is due for renewal on 1 April 2022 and the Chief Financial Officer will be re-procuring the contract.

### **3. CONTEXT**

3.1 This report summarises the treasury management activities and portfolio for both Adur and Worthing Councils for the half year to 30 September 2021.

3.2 This is one of 3 treasury management reports that are required to be presented during the financial year (see Para. 4.1.3).

#### **3.3 Capital Strategy**

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. All local authorities are required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

A report setting out our Capital Strategy was approved by the full Councils on 22nd July 2021 (Adur) and 20th July 2021 (Worthing).

#### **3.4 Treasury Management**

The Councils operate balanced budgets, which broadly means cash raised during the year will meet their cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Councils' capital plans. These capital plans provide a guide to the borrowing needs of the Councils, essentially the longer term cash flow planning to ensure the Councils can meet their capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.5 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the Councils' priorities set out in Platforms for our Places.

#### **4. ISSUES FOR CONSIDERATION**

- 4.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Councils' treasury management activities.
  2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Councils will seek to achieve those policies and objectives.
  3. Receipt by the full Councils of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
  4. Delegation by the Councils of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
  5. Delegation by the Councils of the role of scrutiny of treasury management strategy and policies to a specific named body. For these Councils the delegated bodies are the Joint Governance Committee and the Joint Strategic Committee.
- 4.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first half of the 2021/22 financial year;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - The Councils' capital expenditure, as set out in the Capital Strategy, and prudential indicators;
  - A review of the Councils' investment portfolios for 2021/22;
  - A review of the Councils' borrowing strategy for 2021/22;
  - A review of any debt rescheduling undertaken during 2021/22;
  - A review of compliance with Treasury and Prudential Limits for 2021/22

#### 4.3 RECOMMENDED ADDITIONS/AMENDMENTS TO COUNTERPARTIES

- 4.3.1 The Councils have declared a climate emergency and Members have expressed their enthusiasm to improve the sustainability of the Councils' investments. Officers have been careful to avoid counterparties with direct connections to industries which would not comply with this aim, wherever possible, but in order to fulfil the investment security requirements and our counterparty limits, it is not always possible to avoid indirect connections. The Councils use Low Volatility Net Asset Value (LVNAV) money market funds to manage liquidity and these funds invest in a wide range of assets. HSBC is in the process of launching a new ESG (Environmental, Social and Governance) LVNAV money market fund that will be implementing a "Best in Class" strategy towards ESG investing. It is recommended that, subject to confirmation of AAA rating for the fund, the HSBC ESG Sterling Liquidity Fund is added to the funds currently used by the Councils.
- 4.3.2 As permitted under the Non-Specified Investments sections of the Treasury Management Strategy Statement, the Councils have placed fixed term deposits with the UK bank Standard Chartered, which currently has an A+ rating. It is recommended that Standard Chartered Bank is now added to the Specified Investments lists with a maximum investment limit of £3m.
- 4.3.3 For social policy purposes, the Councils both hold deferred shares in the local Credit Union, Boom. Boom has approached the Councils with a request to hold and invest some of Boom's funds in order to mitigate their treasury management investment risk. They may wish to deposit £1m-£2m with the Councils on a call basis, so would be satisfied with a soft interest rate, possibly linked to Bank Rate. This has the potential to benefit both parties because we are able to diversify the investment risk over a wider portfolio and the Councils will have a lower borrowing requirement, as long as the funds are held. The details are still under discussion, but it is recommended that the Councils add the option to invest on behalf of Boom to the approved investment and borrowing strategy.
- 4.3.4 Local Climate Bonds have been suggested as a means of raising funds for smaller sustainability projects, such as local solar farms. This was a recommendation from the Climate Assembly and would allow local residents to invest securely in environmentally friendly initiatives. The bonds are promoted by the Green Finance Institute. Initial research has shown that other local authorities have used these bonds successfully. Therefore it is recommended that this option is added to the Councils' borrowing strategy. Full due diligence would be undertaken before committing to a bond.
- 4.3.5 The Councils have invested with the Local Authorities' Property Fund. The current investment limit is £3m per Council and it is recommended that the limit should be raised to £5m per Council for the purpose of setting aside long term funds for the repayment of debt.



## 5. THE ECONOMY AND INTEREST RATES

A commentary supplied by *Link Treasury Services Ltd*, the professional consultants for the Councils' shared treasury management services, is included as an appendix to this report. The context is significant as it describes the backdrop against which treasury management activity has been undertaken during the year.

## 6. TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY UPDATE

6.1 The Treasury Management Strategy Statement (TMSS) for 2021/22 was noted by the Joint Governance Committee on the 26th January 2021 and approved by Adur Council on 18th February 2021 and by Worthing Council on 23rd February 2021.

6.2 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

## 7. THE COUNCILS' CAPITAL POSITION (PRUDENTIAL INDICATORS)

This part of the report is structured to update:

- The Councils' capital expenditure plans
- How these plans are being financed
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow
- Compliance with the limits in place for borrowing activity

### 7.1 Prudential Indicator for Capital Expenditure

These tables show the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

#### Adur District Council

	2021/22 Original Estimate	Actual at 30 Sept 2021	2021/22 Revised Estimate
	£m	£m	£m
HRA	18.956	2.183	25.666
Non HRA	9.447	1.758	10.270
Commercial property	20.000	0.000	0.000
Total capital expenditure	48.403	3.941	35.936

The change in the Adur revised capital expenditure estimate for the HRA is due mainly to reprofiling from 2020-21 caused by Covid-19 and additional safety works. The Council no longer plans to invest in property solely for commercial purposes due to changes in government guidance. £2m of the planned commercial property expenditure has been re-profiled to non HRA investment in local property for regeneration or service delivery.

### Worthing Borough Council

	2021/22 Original Estimate	Actual at 30 Sept 2021	2021/22 Revised Estimate
	£m	£m	£m
Non HRA	16.550	11.811	52.355
Commercial property	0.000	0.000	0.000
Total capital expenditure	16.550	11.811	52.355

There have been various changes to the Worthing capital expenditure programme, which have been detailed in regular reports and are partly due to reprofiling of several schemes caused by Covid-19. Specific changes include:

- the inclusion of the budget for the purchase of the Teville Gate Development Site of £8.122m
- expenditure on the Worthing Integrated Care Centre of £15.156m
- £10m reprofiled from 2020/21 commercial property investment to investments in local property for regeneration or service provision
- £1.595m for refurbishment of the Town Hall for new ways of working.

## 7.2 Changes to the Financing of the Capital Programme

The tables below draw together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the tables increases the underlying indebtedness of the Councils by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

## Adur District Council

	2021/22 Original Estimate	2021/22 Revised Estimate
	£m	£m
Total Capital Expenditure	48.403	35.936
Financed by:		
Capital receipts	1.799	1.519
Capital Grants & contributions	1.425	4.363
Reserves & revenue contributions	7.808	6.474
Total financing	11.032	12.356
Borrowing requirement	37.371	23.580

## Worthing Borough Council

	2021/22 Original Estimate	2021/22 Revised Estimate
	£m	£m
Total Capital Expenditure	16.550	52.355
Financed by:		
Capital receipts	0.000	0.184
Capital grants & contributions	5.468	6.568
Reserves & revenue contributions	3.201	1.979
Total financing	8.669	8.731
Borrowing requirement	7.881	43.624

### 7.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The tables below show the CFR, which is the underlying external need to incur borrowing to fund the capital programme. They also show the expected debt position over the period, which is termed the Operational Boundary.

#### Prudential Indicator - Capital Financing Requirement

As explained above, the CFR forecasts change with the capital expenditure forecasts, to the extent that the expenditure is not funded. Due to the reprofiling of capital expenditure, partly due to Covid 19, the CFR is below the forecast for both Adur and Worthing.

**Prudential Indicator - the Operational Boundary for external debt  
Adur District Council**

	2021/22 Original Estimate	Actual at 30 Sept 2021	2021/22 Revised Estimate
	£m	£m	£m
<b>Prudential Indicator Capital Financing Requirement</b>			
CFR - HRA	79.004	61.941	79.713
CFR – Non-HRA	158.544	108.173	112.363
Total CFR	237.548	170.114	192.076
Net movement in CFR	37.371	1.618	23.580
	<b>Operational Boundary</b>	<b>Actual Debt</b>	<b>Operational Boundary</b>
Borrowing	233.000	156.361	233.000
Other long term liabilities	1.000	0.000	1.000
Total debt	234.000	156.361	234.000

**Worthing Borough Council**

	2021/22 Original Estimate	Actual at 30 Sept 2021	2021/22 Revised Estimate
	£m	£m	£m
<b>Prudential Indicator Capital Financing Requirement</b>			
CFR - Non-HRA	191.619	144.564	179.256
Net movement in CFR	7.881	8.932	43.624
	<b>Operational Boundary</b>	<b>Actual Debt</b>	<b>Operational Boundary</b>
Borrowing re Worthing Homes	10.000	10.000	10.000
Borrowing re GB Met	5.000	4.625	5.000
Other Borrowing	177.000	124.926	177.000
Other long term liabilities	1.000	0.000	1.000
Total debt	193.000	139.551	193.000

**7.4 Limits to Borrowing Activity: CFR and debt**

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital investment purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Councils have approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. The Chief Financial

Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

### Adur District Council

	2021/22 Original Estimate	Actual debt at 30 Sept 2021	2021/22 Revised Estimate
	£m	£m	£m
Borrowing	232.332	156.361	178.323
Other long term liabilities	0.000	0.000	0.000
Total debt	232.332	156.361	178.323
CFR	237.548	170.114	192.076

### Worthing Borough Council

	2021/22 Original Estimate	Actual debt at 30 Sept 2021	2021/22 Revised Estimate
	£m	£m	£m
Borrowing	190.902	139.551	174.243
Other long term liabilities	0.000	0.000	0.000
Total debt	190.902	139.551	174.243
CFR	191.619	144.564	179.256

## 7.5 Limits to Borrowing Activity: Authorised Limit and debt

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

### Adur District Council

	2021/22 Original Indicator	Actual debt at 30 Sept 2021	2021/22 Revised Indicator
	£m	£m	£m
<b>Authorised Limit for external debt</b>			
Borrowing	238.000	156.361	238.000
Other long term liabilities	1.000	0.000	1.000
Total	239.000	156.361	239.000

## Worthing Borough Council

	2021/22 Original Indicator	Actual debt at 30 Sept 2021	2021/22 Revised Indicator
<b>Authorised Limit for external debt</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing re Worthing Homes and GB Met	15.000	14.625	15.000
Other Borrowing	182.000	124.926	182.000
Other long term liabilities	1.000	0.000	1.000
<b>Total</b>	<b>198.000</b>	<b>139.551</b>	<b>198.000</b>

## 8 BORROWING

8.1 The Capital Financing Requirement (CFR) denotes the Councils' underlying need to borrow for capital purposes. If the CFR is positive the Councils may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. For both Adur and Worthing Councils capital expenditure in 2021/22 is funded from grants, capital receipts, contributions, reserves and revenue contributions as well as borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails..

8.2 Adur District Council's revised CFR forecast for 2021/22 is £192.076m. The relevant table in 7.4 shows the Council has borrowings of £156.361m at 30 September 2021 and has utilised £13.753m of cash flow funds in lieu of borrowing.

Worthing Borough Council's revised CFR for 2021/22 is £179.256m. The relevant table in 7.4 shows the Council has borrowings of £139.551m at 30 September 2021 and has utilised £5.013m of cash flow funds in lieu of borrowing.

8.3 Due to the overall financial position, the payments made on repayment loans and the underlying need to borrow for capital purposes, new external borrowing was undertaken as shown in the tables below. It is anticipated that further borrowing will be undertaken by both Councils during this financial year to fund capital expenditure and any debt refinancing needs. The capital programmes are being kept under regular review to assess progress and the associated need to finance the programme. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term. The Councils have made some use of short-term borrowing from other local authorities due to the low interest rates available.

## Adur District Council – new loans

Lender	Principal	Type	Interest Rate	Maturity
Public Works Loans Board	£1.0m	Fixed interest rate	2.01%	08/07/2041

## Worthing Borough Council – new loans

Lender	Principal	Type	Interest Rate	Maturity
Leicester City Council	£5m	Fixed interest rate	0.25%	18/08/2023

### 8.4 PWLB maturity certainty rates (gilts plus 80bps) year to 30 September 2021

Gilt yields and PWLB rates were on a falling trend between May and August. However they rose sharply towards the end of September. The 50-year PWLB target certainty rate for new long-term borrowing started in April at 1.90%, rose to 2.00% in May, fell back to 1.70% in August and has now returned to 2.00% at the end of September after the MPC meeting of 23rd September.

The current PWLB rates are set as margins over gilt yields as follows (100 basis points is equivalent to 1%):-

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)

## 9.0 DEBT RESCHEDULING

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year for either Council.

## 10.0 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

It is a statutory duty for the Councils to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2021, the Councils have operated within the treasury and prudential indicators set out in the Joint Treasury Management Strategy Statement for 2021/22. The Chief Financial Officer reports that no difficulties are envisaged for the current or future years in complying with the indicators.

All treasury management operations have also been conducted in full compliance with the Councils' Treasury Management Practices.

## **11.0 ANNUAL INVESTMENT STRATEGY**

11.1 The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Adur Council on 18 February 2021 and by Worthing Council on 23 February 2021. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Councils' investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Councils will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity and with the Councils' risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions. The shared Treasury Service uses information supplied by the Treasury advisers, Link Asset Services, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the interest rate forecasts in the Appendix, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020 until the MPC meeting on 24th September 2021 when 6 and 12 month rates rose in anticipation of Bank Rate going up in 2022. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before mid 2023, investment returns are expected to remain low.

This has had an impact on the income from our investment portfolios which has fallen substantially since 2019/20. Within the Medium Term Financial Strategy, the impact of these rates has added to the financial pressure the Councils are under although this pressure is offset by the low rates on the Councils' loans.

## **11.2 Creditworthiness**

Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks (the rating agency's view regarding the potential direction of a long term credit rating over the intermediate period - typically 6 months to 2 years). However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.



## Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirements of the treasury management function except for the amendments recommended in section 4.3.

### Credit Default Swap prices

Credit Default Swaps (CDS) are credit derivative contracts that enable investors to swap credit risk on a company with another counterparty. They are market indicators of credit risk. Although CDS prices for UK banks spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. **However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

## 11.3 Investment balances

The Councils occasionally lend funds to each other, for example when a competitive rate is available from another Local Authority, but that Authority wishes to lend a larger sum than Adur or Worthing need individually. In 2020 Worthing borrowed £5m from another Authority, of which £2.5m was lent onwards to Adur.

The average level of funds available for investment purposes during the half year for Adur was £14.8m and for Worthing was £17.1m, excluding long term loans to Adur District Council, Worthing Homes and GB Met College. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt and payment of grants and progress on the capital programme.

## 11.4 Investment performance – Adur District Council

The investment portfolio yield for the first 6 months of the year is 0.25% p.a. against the London Interbank Bid Rate benchmark rate (supplied by Link) of 0.07% for 12 month deposits. This rate excludes the £3m investment in the Local Authorities' Property Fund, which returned 3.46% p.a. over the 6 months. The portfolio is shown below. Adur District Council's budgeted investment return for 2021/22 for both the General Fund and the HRA is £135k and the current forecast will result in a small over achievement of about £6k. The interest payable budget is currently expected to underspend by £159k by the year end.

### Investment portfolio – Adur District Council

Counterparty	Issue Date	Maturity Date	Principal	Interest Rate	Long Term Rating
CCLA MMF	n/a	n/a	£3,000,000	var	AAA
Close Brother Ltd	10.08.21	09.08.22	£1,000,000	0.45%	A-
Close Brothers Ltd	06.09.21	06.03.23	£1,000,000	0.60%	A-

Federated Investments MMF	n/a	n/a	£10,000	var	AAA
Goldman Sachs Int Bank	26.05.21	06.06.22	£1,000,000	0.32%	A+
Goldman Sachs Int Bank	19.05.21	21.02.22	£1,000,000	0.24%	A+
Goldman Sachs Int Bank	15.07.21	07.03.22	£1,000,000	0.19%	A+
Handelsbanken call account	n/a	n/a	£140,000	0.02%	AA
Handelsbanken 35 day notice	n/a	n/a	£2,000,000	0.05%	AA
Lloyds Bank call account	n/a	n/a	£660,000	0.01%	A+
Lloyds Bank 95 day notice	n/a	n/a	£10,000	0.05%	A+
Local Authority Property Fund	25.04.17	n/a	£3,000,000	var	n/a
Santander UK 95 day notice	n/a	n/a	£4,000,000	0.40%	A+
Standard Chartered Bank	16.06.21	28.03.22	£1,000,000	0.17%	A+
Boom Credit Union	06.03.15	n/a	£25,000	n/a	n/a
<b>TOTAL</b>			<b>£18,845,000</b>		

### 11.5 Investment performance – Worthing Borough Council

The investment portfolio yield for the first 6 months of the year is 0.28% p.a. against the London Interbank Bid Rate benchmark rate of 0.07% for 12 month deposits. The portfolio yield includes a £2.5m loan to Adur District Council but excludes the £1.5m investment in the Local Authorities' Property Fund, which returned 3.46% p.a. over the 6 months.

The Council has also made 2 loans which are treated as capital expenditure rather than treasury investments:

- £10m to Worthing Homes at 0.7% above the rate at which the funds were borrowed, generating £70k p.a. for the Council
- £5m repayment loan to GB Met College at 2% above the rate at which funds were borrowed; the balance is now £4.868m, which will generate £104k in 2021/22 for the Council.

Worthing Borough Council's budgeted investment income for 2021/22, excluding the Worthing Homes and GB Met loans, is £65k and the current forecast will result in an over achievement of about £40k, due to the substantial Covid grants still held by the Council, but due to be repaid to Government in the near future. The use of internal borrowing and the reprofiling of the capital programme contribute to a saving in the interest payable budget which is currently expected to underspend by £304k by the year end.

### Investment Portfolio - Worthing Borough Council

Counterparty	Issue Date	Maturity Date	Principal	Interest Rate	Long Term Rating
Adur District Council	30.06.20	30.06.22	£2,500,000	1.00%	n/a
CCLA MMF	n/a	n/a	£3,000,000	var	AAA
Close Bros	30.06.21	05.01.22	£1,000,000	0.25%	A-
Federated Investments MMF	n/a	n/a	£10,000	var	AAA

Goldman Sachs Int Bank	26.05.21	28.02.22	£2,000,000	0.26%	A+
Goldman Sachs Int Bank	02.06.21	07.03.22	£1,000,000	0.25%	A+
Handelsbanken call account	n/a	n/a	£2,000,000	0.02%	AA
Handelsbanken 35 day notice	n/a	n/a	£2,000,000	0.05%	AA
Invesco MMF	n/a	n/a	£10,000	var	AAA
Leeds Building Society	09.06.21	06.06.22	£1,000,000	0.15%	A-
Lloyds call account	n/a	n/a	£280,000	0.01%	A+
Lloyds 32 day notice	n/a	n/a	£10,000	0.03%	A+
Lloyds 95 day notice	n/a	n/a	£10,000	0.05%	A+
Santander 95 day notice	n/a	n/a	£4,000,000	0.40%	A+
Standard Chartered Bank	16.06.21	28.02.22	£2,000,000	0.16%	A+
Standard Chartered Bank	24.06.21	05.10.21	£1,000,000	0.09%	A+
Local Authority Property Fund	27.04.17	n/a	£1,500,000	var	n/a
Boom Credit Union	Various	n/a	£50,000	n/a	n/a
<b>TOTAL</b>			<b>£23,370,000</b>		

### Investment Performance – Approved Limits

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2021. The Local Authority Property Funds gave a briefing for Members on the 27th October 2021 to update them and answer any questions.

#### 11.6 Counterparty commitment to sustainability

The Councils are committed to ethical investments and the use of counterparties which have appropriate sustainability, carbon reduction or ethical plans. There are links below to the plans or declarations of our current investment counterparties.

<https://www.ccla.co.uk/our-policies/climate-change-and-investment-policy>

<https://www.closebrothers.com/sustainability-and-environment>

<https://www.federatedinvestors.com/resources/resource-centers/responsible-investing-center.do?hint=class>

<https://www.goldmansachs.com/investor-relations/corporate-governance/sustainability-reporting/>

<https://www.handelsbanken.com/en/sustainability/climate-impact>

<https://www.invesco.com/corporate/about-us/esg/environmental-sustainability>

<https://www.leedsbuildingsociety.co.uk/knowledge-base/members/continuing-to-reduce-our-carbon-footprint/>

<https://www.lloydsbankinggroup.com/our-group/responsible-business/financing-a-green-future-together/reducing-our-own-environmental-footprint/>

[https://www.santander.co.uk/assets/s3fs-public/documents/2019\\_santander\\_esg\\_supplement.pdf](https://www.santander.co.uk/assets/s3fs-public/documents/2019_santander_esg_supplement.pdf)

[https://www.sc.com/en/sustainability/?gclid=Cj0KCQjw18WKBhCUARIsAFiW7Jw9h9XtzcULNMBFfdOMiAEC0Lkjinwv5QBGzPyHH7ftV08AuVuZm3hYaAmJmEALw\\_wcB&gclid=aw.ds](https://www.sc.com/en/sustainability/?gclid=Cj0KCQjw18WKBhCUARIsAFiW7Jw9h9XtzcULNMBFfdOMiAEC0Lkjinwv5QBGzPyHH7ftV08AuVuZm3hYaAmJmEALw_wcB&gclid=aw.ds)

## **12. ENGAGEMENT AND COMMUNICATION**

- 12.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2019, and which defines the respective roles of the client and provider authorities for a period of three years.
- 12.2 The Adur and Worthing Councils' treasury management team has also provided treasury services to Arun District Council through a shared services arrangement (SSA) since 1st March 2021 under a Service Level Agreement which defines the respective roles of the client and provider authorities for a period of three years.
- 12.2 Information and advice is supplied throughout the year by Link Treasury Services Ltd, the professional consultants for the Councils' shared treasury management service. This contract is due to be re-procured for 1st April 2022.

## **13. FINANCIAL IMPLICATIONS**

- 13.1 This report has no quantifiable additional financial implications to those outlined above. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget.

## **14. LEGAL IMPLICATIONS**

- 14.1 The presentation of the Half Year Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators for 2021/22.

### **Background Papers**

**Joint Treasury Management Strategy Statement and Annual Investment Strategy** Report 2021/22 to 2023/24 (Adur Council 18 February 2021 and Worthing Council 23 February 2021)

**Annual Joint In-House Treasury Management Operations Report** 1 April 2020 – 31 March 2021 (Adur Council 28 October 2021, Worthing Council 19 October 2021)

**Link Treasury Services Ltd Half Year Report Template 2021/22**

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA)

The Prudential Code for Capital Finance in Local Authorities (CIPFA)

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## **SUSTAINABILITY & RISK ASSESSMENT**

### **1. ECONOMIC**

The treasury management function ensures that the Councils have sufficient liquidity to finance their day to day operations. Borrowing is arranged as required to fund the capital programmes. Available funds are invested according to the specified criteria to ensure security of the funds, liquidity and, after these considerations, to maximise the rate of return.

### **2. SOCIAL**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. ENVIRONMENTAL**

Matter considered and no issues identified.

### **4. GOVERNANCE**

4.1 The Councils' Treasury Management Strategy and Annual Investment Strategy places the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the Council priorities.

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2021/22 - 2023/24, submitted and approved before the commencement of the 2021/22 financial year.

4.3 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit worthiness of the Councils' investment counterparties.

## APPENDIX

*This commentary has been supplied by Link Treasury Services Ltd, the professional consultants for the Councils' shared treasury management services. The context is significant as it describes the backdrop against which treasury management activity has been undertaken during the year.*

### Economics and interest rates

#### 1. Economics update

##### MPC meeting 24th September 2021

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC member voted to stop these purchases now to leave total purchases £35bn short of the total target as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

**The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

**Globally, our views on economies are as follows: -**

- **US.** See comments below on US treasury yields.
- **EU.** The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.  
German general election. With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.
- **China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy

benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **Japan.** 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.
- **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

**Supply shortages.** The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

## 2 Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 29th September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>BANK RATE</b>	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40



Additional notes by Link on this forecast table: -

- LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23 and another increase to 0.50% in quarter 4 of 23/24 and a third one to 0.75% in quarter 4 of 2023/24.

### **Significant risks to the forecasts**

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

### **The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

### **Forecasts for Bank Rate**

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1<sup>st</sup> October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

### **Forecasts for PWLB rates and gilt and treasury yields**

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?

- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

### **Gilt and treasury yields**

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden’s, and the Democratic party’s determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
4. And the Fed was still providing monetary stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of “substantial further progress towards the goal of reaching full employment”. However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August

seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. **As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

#### **The balance of risks to medium to long term PWLB rates: -**

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

#### **A new era – a fundamental shift in central bank monetary policy**

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.



ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
23 November 2021

Ward(s) Affected: N/A

## Risks & Opportunities Update Report

### Report by the Director for Digital, Sustainability & Resources

#### Officer Contact Details

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#### Executive Summary

##### 1. Purpose

- 1.1 This report provides the latest updates on the management of the Councils' Risks and Opportunities.

##### 2. Recommendations

- 2.1 That the progress in managing Risks and Opportunities be noted; and
- 2.2 That the Committee agree to receive a further progress report in March 2022.

### **3. Context**

- 3.1 The Committee receives regular update reports on the general management of the Councils' Risks and Opportunities to assist the Committee in its role monitoring the effective development and operation of risk management and corporate governance in the Councils. This report provides the Committee with the detail of the updates including information on the 'High/Red' Service Risks for each Directorate. The last report to the Committee was on 27 May 2021. Further information on the management of Risks and Opportunities by the Councils is contained in the Risk and Opportunity Management Strategy.

### **4. Issues for consideration**

- 4.1 The financial landscape has changed due to the impact of the Coronavirus and the measures that were implemented to manage the pandemic have impacted on the Councils with a fall in income and additional cost pressures falling on the Council over the last 19 months (in particular with loss of car parks incomes and additional pressure on housing needs services). The Government has provided support to Councils during the emergency in the form of some grant funding, some grants designated for specific use, such as homelessness support, others non specific. The government support through the Sales, Fees and Charges Income Guarantee Scheme has been extended to include the first quarter of 2021/22. However, the scheme's limitation is that it only covers income from fees and charges, it excludes any rental, commercial or investment income. Despite these challenges, the Councils have continued to provide the range of services and support for the homeless and others who are vulnerable as well as providing support for local businesses and tenants.
- 4.2 Reports continue to be provided to the Councils, the Joint Strategic Committee (JSC) and Joint Overview and Scrutiny Committee (JOSC) on how the Councils have been managing finances and responding to the pandemic. Relevant reports that have been produced since the last report to this Committee and should be read in conjunction with the information provided in this report are:-
- Covid funding and use of Chief Executives urgency powers - Item 5 JSC 8 June 2021
  - Financial Performance 2020/21 - Revenue Outturn - Item 7 JSC 13 July 2021
  - Developing a revenue budget for 2022/23 at the time of a pandemic - Item 8 JSC 13 July 2021

- Investing for our future - Capital Strategy 2022/25 - Item 9 JSC 13 July 2021
- 1st Quarter Revenue Budget monitoring report 2021/22 - Item 5 JSC 7 September 2021
- 1st Quarter Capital Investment Programme and Projects monitoring 2021/22 - Item 6 JSC 7 September 2021
- Annual Treasury Management report 2020/21 for Adur District Council and Worthing Borough Council - Item 7 JSC 7 September 2021
- Covid-19 response - Economic recovery, support for the vulnerable and health and wellbeing review - Item 9 JOSC 14 October 2021

4.3 During these challenging times the Councils continue to monitor and review the full Risk and Opportunity registers. Corporate Risks and Opportunities (including Covid-19 effects) which reflect the aims and activities set out in Platforms for our Places: Going Further' are reported regularly to the Council Leadership Team. The Service Risk registers are regularly updated in consultation with Directors, Heads of Service and Departmental Management Team meetings.

4.4 This report includes changes required to the Risks and Opportunities since the last report to the Committee in May 2021.

## **5. Engagement and Communication**

5.1 The updates on Risks and Opportunities as contained in Appendices A, B and C have been produced in discussion with Heads of Service and Directors as part of the regular review process. The Council Leadership Team, Organisational Leadership Team and relevant Officers have been consulted on the production and contents of this report.

## **6. Financial Implications**

6.1 There are no direct financial implications as a result of this report but there are financial implications associated with some of the Risks and Opportunities referred to in the report and contained elsewhere in the Risk registers.

## **7. Legal Implications**

7.1 There are no direct legal implications arising from this report but there are potential legal, compliance, regulation and public protection implications for the Councils if any of the risk events do occur. The Joint Governance Committee has the responsibility for monitoring the effective development and

operation of risk and opportunity management.

**Background Papers**

Adur & Worthing Risk and Opportunity Management Strategy 2021 - 2023  
Risk and Opportunity Management updates report to the Joint Governance  
Committee on 27 May 2021



## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered. The Risks and Opportunities are directly linked to the projects and work streams that have been in place to help deliver the commitments and activities contained in the Councils strategic vision 'Platforms for our Places: Going Further'. Some of these will impact on the economic development of the areas if they occur.

### **2. Social**

#### **2.1 Social Value**

Matter considered. Some of the Risks and Opportunities may have an impact on the value that communities experience from social value/projects if the Risks and Opportunities occur.

#### **2.2 Equality Issues**

Matter considered. Some of the Risks and Opportunities refer to equalities issues.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered. Some of the Risks and Opportunities may relate to crime and disorder issues.

#### **2.4 Human Rights Issues**

Matter considered and no direct issues identified.

### **3. Environmental**

Matter considered. Some of the Risks and Opportunities may impact on environmental issues.

### **4. Governance**

Matter considered. As part of good governance the Councils need to manage Risks and Opportunities. The Councils Risk and Opportunity Management Strategy sets out clear governance controls for the management of Risks and Opportunities and part of these include provision for the Service Risks and Opportunities to be considered three times a year by the Joint Governance Committee.


## APPENDIX A

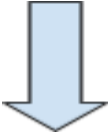
**Joint Governance Committee - 23 November 2021**
**Updates on Risk and Opportunity Management**

	May 2021 update	November 2021 update
<b><u>Corporate Risks and Opportunities</u></b>	11 Risks - No change 5 Opportunities - No change	11 Risks - No change 5 Opportunities - No change
<b><u>Service Risks and Opportunities</u></b>		
<b><u>Communities Directorate</u></b>		
Environment* Housing  Adur Homes Wellbeing	3 Risks - No change 4 Risks - No change 2 Opportunities - No change 5 Risks - No change 7 Risks - Plus 1	* - Service transferred 4 Risks - No change 2 Opportunities - No change 5 Risks - No change 7 Risks - No change
<b><u>Digital, Sustainability &amp; Resources Directorate</u></b>		
Customer & Digital Waste & Recycling* Financial Services  Human Resources Legal Services Revenues & Benefits Organisational Development and Design	5 Risks - Minus 1 N/A 6 Risks - No change 1 Opportunity - No change 3 Risks - Minus 3 1 Risk - No change 3 Risks - Minus 1 3 Risks	5 Risks - No change 5 Risks - Plus 2 6 Risks - No change 1 Opportunity - No change 3 Risks - No change 3 Risks - Plus 2 3 Risks - No change 3 Risks - No change
* - Waste & Recycling Service transferred from the Environment Service in the Communities Directorate in June 2021 to the Customer & Digital Service		

<u>Economy Directorate</u>	<u>May 2021 update</u>	<u>November 2021 update</u>
Facilities & Technical Services Major Projects & Investment Place & Economy Planning & Development  Leisure	7 Risks - No change 10 Risks - No change 7 Risks - No change 18 Risks - No change 1 Opportunity - No change 1 Risk - No change	7 Risks - No change 10 Risks - No change 7 Risks - No change 19 Risks - Plus 1 0 Opportunity - Minus 1 1 Risk - No change

<u>High Risks on Service Risk registers</u>	<u>May 2021 update</u>	<u>November 2021 update</u>
Housing Adur Homes Financial Services	2 - No change 2 - No change 4 - No change	2 - No change 2 - No change 4 - No change

 Risks where assessment score has increased since the last report	<p><b>Organisational Development &amp; Design -</b></p> <p>People not engaging in mandatory training which leaves the Council exposed to risks - Risk increased to Medium Risk from Low Risk because of a drop in take up of training in some areas.</p> <p><b>Planning and Development -</b></p> <p>Development Management fee income - Risk increased to Medium Risk due to reduction in fee income for Worthing.</p> <p>New Monks Farm and Shoreham Airport - Major applications for both sites are not approved and developments delayed. - Risk increased to Medium from Low Risk due to Ikea decision not to build a new store on site.</p>
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 <p>Risks where assessment score has reduced since the previous report.</p>	<p><b>Adur Homes -</b></p> <p>Failure to be able to undertake the repairs in a timely fashion. Failure to undertake repairs quickly after the Covid-19 'lockdown' periods ends because the service is likely to be overwhelmed with demand. - Risk reduced to Low Risk from Medium because repairs service has now returned to normal following the end of Covid-19 'lockdowns'.</p> <p><b>Organisational Development &amp; Design -</b></p> <p>Failure to manage talent results in loss of talent and increased hiring costs etc and affects ability to undertake succession planning - Risk reduced to Low Risk from Medium because of the work being undertaken to manage talent.</p>
<p>New Risks/Opportunities added since last report or changes to Risk descriptions</p>	<p><b>Customer &amp; Digital (Waste &amp; Recycling)</b> - Compliance with the Environment Bill and implications for the refuse and recycling service - High Risk</p> <p>Recruitment and retention of HGV drivers due to national shortage - Medium Risk</p> <p><b>Legal Services</b> - Legal Services advice for day to day project management of major projects - Medium Risk</p> <p>Information Governance issues and scheme of delegations. Incorrect delegations - Medium Risk</p> <p><b>Planning and Development</b> - GDPR compliance and risk that service publishes personal details or sensitive information which breaches GDPR and Data Protection Guidelines - Risk added following Audit recommendation..</p>
<p>Risks/Opportunities removed since last report.</p>	<p><b>Planning and Development</b> - Service Redesign with Customer and Development Management - Opportunity to transition to a sustainable service model</p> <p>Opportunity to maximise commercial advantage whilst delivering a premium service to customers and the communities. - These are removed because the issues are now covered in existing risks and issues relating to Building Control and other fee income.</p>

## Joint Governance Committee - 23 November 2021

## Corporate 'High' Risks

<u>Risk</u>	<u>Internal Controls</u>	<u>Risk Impact</u>	<u>Risk Likelihood</u>
<p><b><u>Covid-19</u></b></p> <p>Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus. The Government, on the advice of medical experts, has introduced social distancing measures, emergency legislation and economic packages to mitigate the effects of the crisis.</p> <p>This will continue to affect the operations of the Councils to meet the demands of the response, normal business functions and subsequent recovery effort may last 12 months or more before we reach a stage of "relative normality".</p> <p>A future social and economic landscape will be significantly different and our ability to adapt will require careful consideration.</p>	<p><b>November 2021</b></p> <p>The volume of applications for £500 self isolation payments increased significantly from the end of June but has now reduced following changes to the self isolation rules from 16 August. The scheme has been extended until 31.03.2022 and officers are working hard to determine applications as quickly as possible. This is creating capacity issues across the teams due to the support needed for these. However this work is also providing some valuable insights around finance and debt for the teams.</p> <p>Covid remains a significant risk to the workforce and measures continue to be in place to try and reduce the risk of infection and likelihood of its spread and therefore impact on teams.</p> <p>Eligible businesses that received 100% Business Rates Relief from 1 April 2020 and 1 April 2021 had revised bills issued following the reduction in relief to 66% from 1 July 2021.</p> <p>The Covid Business Grants closed in July. Over £60m has been distributed through over 8,000 transactions in the last 18 months. The Council is now processing the final claims with a reconciliation process to follow.</p>	Major	Likely

	<p>Following the easing of all social distancing restrictions, and the new regulations around self-isolation, our places and businesses are reporting a good level of 'bounce back'. However, this will need to be reviewed as we move into the Autumn / Winter season.</p>		
<p><b><u>Council Finances</u></b></p> <p>Council finances continue to be under pressure after several years of reducing income from central government. The Councils have set balanced budgets every year, and do not rely on reserves to do so. A recent LGA Peer Review also found that a series of plans and strategies are in place to address challenges going forward, although there remains a projected shortfall currently for 2020/21. The Councils' reserves position is in the lower quartile of SE Districts and the position needs improvement.</p>	<p><b>November 2021</b></p> <p>The Councils have reviewed the Medium Term Financial Plan and approved the budget strategy for 2022/23. The fairer funding review has been delayed a further year and it is not clear what will replace it for 2022/23. A further update will be presented to members in November / December on progress in setting the budget.</p>	<p>Major</p>	<p>Very Likely</p>

<p><b><u>Welfare Reform</u></b></p> <p>'Welfare Reform' is used to cover a range of issues in particular:</p> <ul style="list-style-type: none"> <li>• Changes to how benefits paid to those who are working to incentivise work.</li> <li>• Changes to the maximum level of benefits paid to families and individuals who are not working</li> <li>• Changes to how working age benefits are paid and a shift to one benefit package 'Universal Credit' (UC)</li> <li>• Benefits being administered largely by central government as opposed to local government - UC administered by DWP vs Housing Benefit by local authorities.</li> <li>• UC being paid monthly, to an individual person or family member, into a bank account.</li> <li>• Benefits for young people and single people reduced</li> <li>• Benefits for larger families reduced</li> </ul> <p>The impact of these changes are still working through the system but in areas where Universal credit has been rolled out fully the following effects have been reported.</p> <ul style="list-style-type: none"> <li>• 5-6 weeks gap before UC is paid (in some cases longer)</li> <li>• Local systems unable to track individuals in need, as the system is centralised and data is no longer available</li> <li>• Housing costs not being met by the</li> </ul>	<p><b>November 2021</b></p> <p>The situation in respect of the impact of Universal Credit on the live Housing Benefit caseloads remains unchanged and the volume of new claims for Council Tax Support has returned to normal levels (and has not increased following the end of the furlough scheme). The live Council Tax Support caseload in Adur remains static and the caseload in Worthing is reducing.</p> <p>Autumn Recovery work is well underway to ensure good planning around:</p> <ul style="list-style-type: none"> <li>• Identifying those at risk of not coping using available data sets including the LIFT Platform</li> <li>• Developing stronger pathways to support for people identified through internal and partner support</li> <li>• Developing the safety net of provision around support including our Money Mentors and also also working with our partners to understand capacity and demand</li> </ul> <p>We are also working with our local food providers and have provided short term resources to aid the food supply and are working on the provision of shared food storage space.</p> <p>Work is also underway to develop a clear process for referring people through to the Household Support Grant which is being administered by WSCC to help alleviate the issues arising around UC support.</p>	Major	Very Likely
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<p>level of out of work benefits</p> <p>The impact for the Councils of this is potentially on two fronts, increased homelessness presentations and/or reduced rental income for Adur Homes. This is compounded by the year on year reduction in social rents by 1% which also reduces the financial income for Adur Homes.</p> <p>Recent agreements to cut budgets from WSCC lines - e.g the Local Assistance Network funding; Supported Housing and IPEH (Universal services) may also impact in these areas.</p>			
<p><b><u>Economic uncertainty</u></b></p> <p>Covid 19 will have a severe impact on the local economy. The impact on our town centres will be significant and key sectors such as hotels, restaurants and retailing will be particularly adversely affected. Some businesses will not survive and there will be an increase in unemployment.</p> <p>Resilience will be key and local councils will be expected to play a key role in supporting economic recovery. As part of this, many businesses will need to change their model of operation and the councils will need to respond to their changing needs in terms of factors such as regulation; infrastructure and logistics.</p>	<p><b>November 2021 -</b></p> <p>Safe Towns continues to meet to oversee the safe reopening of our high streets. The group, comprising internal officers and external agencies (including the TCI, Traders Associations and Police) meet monthly to ascertain how our places continue to operate in the context of Covid-19. Due to the national direction, the group has decided to remove all Covid-19 markings and signage, however messaging to businesses remains in terms of safe practices. The Covid-19 signage has gone into storage if these are to be required in the future.</p> <p>The group continues to discuss agreed actions around large scale events (e.g. November fireworks) and whether these need further escalation. The number of pavement licences continues to increase with over 80 businesses now registered. Environmental Health colleagues are continuing to analyse the temporary regulations around outdoor trading, longer opening hours and off sales.</p> <p>The Business Support page under the Coronavirus section of the</p>	Major	Likely



	website remains live and is regularly updated with the latest information for businesses. Active communications to businesses continue.		
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<p><b><u>Housing supply</u></b></p> <p>Limited housing supply in all areas and all tenures is a key risk for the Councils in terms of both discharging its statutory duty to prevent homelessness and support those at risk, as well as placing critical budgetary pressures on the Councils. Managing this demand is challenging and places additional capacity pressures on the operational teams.</p> <p>Emergency/Temporary Accommodation - the lack of EA/TA supply at LHA rates means that the Councils are paying for costly B&amp;B accommodation whilst assessing customers for statutory obligations.</p> <p>The lack of move on accommodation at LHA rates means there are blockages in TA</p> <p>The lack of suitable/affordable private sector rented accommodation is placing more pressure on the Councils in terms of demand and budgets.</p> <p>Planning applications are subject to an increasing level of scrutiny, including both the level of affordable housing and the tenure mix.</p>	<p><b>November 2021</b></p> <p><b>Meeting immediate temporary accommodation demand:</b></p> <p><b>Leasing:</b></p> <p>Additional sites are being explored and under negotiation with two sites potentially providing 46 units of accommodation.</p> <p><b>Purchased/Owned:</b></p> <p>Downview phase 2(Worthing) now due by end of the year providing additional 8 units of 1 &amp; 2 bed accommodation. .</p> <p>Rowlands Road (Worthing) is also now due by the end of the year with a total of 19 units with a mix of studio, 1&amp; 2 bed properties.</p> <p>Albion Street (Adur) has started on site to provide 6 units.</p> <p>Options for a further x2 sites (one Adur, one Worthing) being explored.</p> <p><b>Meeting medium to long term demand:</b></p> <p><b>Prevention/Permanent Housing:</b></p> <p>Cecil Norris House (Adur) completed 15 new homes.</p> <p>Bayside (Worthing Homes) completed 20 new homes (studio, 1 and 2 bed)</p> <p>Opening Doors has increased its portfolio to 67 homes with a further 24 expected to be tenanted by the end of the year, 21 of which with a larger property developer which may 'open the door' to deliver additional schemes with developers in the future. Despite rents rising beyond LHA, individual landlords continue to show interest in the</p>	Major	Very Likely
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	<p>scheme. We have also 'floated off' 16 tenancies, which means that, because they have been successful for two years, the council is no longer liable for the rent guarantees on those properties.</p> <p>We are also now working with our landlords who are providing HMO emergency accommodation and converting them into permanent offers of accommodation after a period of tenancy sustainment through the Opening Doors scheme. We have so far completed successfully on two of these with a further two in the pipeline. With rising numbers of single person placements and lack of available move on accommodation, this is proving to be a very useful method in securing long term accommodation for this cohort.</p> <p>RSL Forum now well established to facilitate partnerships for meeting housing needs.</p> <p>The numbers of families now homeless is increasing as well as numbers of single people homeless continuing to increase.</p> <p>We are in the process of recruiting an additional member of staff with COMF funding to work with households in temporary accommodation who we have accepted a full duty to, to complete further assessments to identify unmet areas of support including financial support and provide support to move on from temporary accommodation.</p> <p>We successfully bid for funding from the:</p> <ul style="list-style-type: none"> <li>● Accommodation For Ex-Offenders (AFEO) scheme providing support and funding to access the private sector. This work involves linking closely with probation and their CAS3 accommodation scheme for those not owed a housing duty.</li> <li>● Rough Sleeper Accommodation Scheme (RSAP) to provide capital funding and floating support to complex need single people.</li> </ul>		
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<p><b><u>IT Disaster recovery</u></b></p> <p>Hosting applications locally carries increasing risks given the pace of technological change. As for most Councils, we have limited resilience in the team, and too much dependence on key personnel. Our data centre cannot be sufficiently protected from physical threats.</p>	<p><b>November 2021</b></p> <p>The implementation date to migrate the Revenues and Benefits system to the cloud has been changed to November 2021 with User Acceptance Testing currently almost completed.</p> <p>Cloud hosted HR and Payroll system has gone live having been migrated out of the data centre.</p>	Extreme	Moderate
<p><b><u>Major Projects delivery</u></b></p> <p>The objective of the major projects programme is to deliver the economic, social and environmental benefits that these initiatives can bring to the places in Adur &amp; Worthing, and to the people that live, work and visit them.</p> <p>Unlocking major development can be complex and take some time to deliver. The successful delivery of a major scheme will often depend on economic conditions over an extended period.</p>	<p><b>November 2021</b></p> <p><b>Covid-19 impact</b> - Covid19 impact will continue to add a degree of uncertainty to the property market. Delivery of new homes including affordable homes, improving and supporting town centres, and providing employment opportunities are key priorities for our communities. The delayed delivery of significant development projects either by the public or private sector could result in the economic and social dividend from these projects being unrealised.</p> <p>The Councils have embarked on an ambitious programme of development that makes the best use of their existing assets and commits to forming effective partnerships with other landowners and investors. This will help to 'de-risk' projects and create the right conditions for development to take place. For example, Worthing Borough Council has entered into a Land Pooling Agreement to help de-risk the development of Union Place and secure access to the agencies and skills necessary to deliver. During 2021 full business case has been approved for the development of the Worthing Integrated Care Centre, flood defences at Sussex Yacht Club, Colonnade House and Southdownview Road and Outline Business Case approved for the development of a major industrial development at Decoy Farm in Worthing. More detailed updates on these projects</p>	Major	Likely

	<p>are available in the individual project risks that are included elsewhere.</p> <p>The Councils have made clear and unambiguous the importance of delivery to the development sector, and also indicated their willingness to work in partnership. A dedicated team has been established to manage the major projects and capital budgets adjusted to reflect the priority attached to this work. Regular monitoring of progress provides oversight and formal reporting to the relevant executive councillors; internal project groups and formal Committee meetings take place to oversee progress.</p> <p>Both Councils have used Local Growth Fund monies to deliver the necessary infrastructure to support development . The Councils have also played a pro-active role in supporting Coast to Capital in the development of a Strategic Economic Plan to ensure that their priorities for the development of major projects are represented and therefore, more likely to benefit from future public funding.</p> <p>A series of major milestones have been reached on each of the major development projects. The challenge and the opportunity will be to maintain progress and delivery on the ground whilst adapting to changes in the wider economic landscape.</p> <p><b>(As requested by the Joint Governance Committee, information relating to individual Major Project Risks has been included as part of this report and is contained at Appendix C).</b></p>		
<p><b><u>Climate Emergency</u></b></p> <p><b>Council response to the Climate Emergency needs to be threefold;</b></p> <p><b>1) Mitigating climate change</b> Through reducing greenhouse gas emissions</p>	<p>Record breaking global heating temperatures are continuing to be recorded. In July 2020 the Met Office published it's 6th 'State of the UK Climate' report. This confirmed consistent increasing warming temperatures in the UK with a new all-time record in 2019 (38.7° C) Cambridge, July; and a new winter record (21.2° C) London, February. UK Govt has committed to net zero carbon by 2050.</p>	<p>Major</p>	<p>Likely</p>

from council activities, working towards the carbon neutral target made as part of the Climate Emergency Declaration, and through working towards 100% clean energy for Adur & Worthing under the UK100 Cities Pledge.

## 2) Adapting to climate change;

By working across the council services and estate and with local stakeholders and partners to provide environmental resilience across Adur and Worthing and the South East. Measures required include

- Addressing drought and heatwave planning, addressing urban heat island effect, increasing green infrastructure, addressing wildfire risk.
- Preparing for tidal and storm surges, heavy rainfall and wind events, addressing risk of coastal, surface and river flooding through sustainable drainage, natural flood management, coastal defences, flood resilience.
- Preparing for extreme cold events.

## 3) Preparing for more frequent extreme climate events and impacts

Through emergency planning and developing resilience in the short and long term, and the ability of the council to respond to crisis situations in conjunction with the emergency services and other partners.

- Preparing for risks of damage to properties and infrastructure as well as risk to public health and safety from extreme weather events.
- Developing resilience in local food,

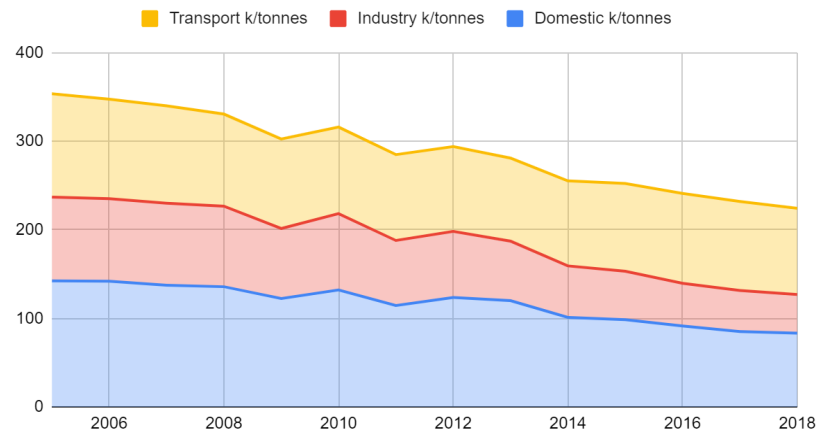
In August 2021 the Intergovernmental Panel on Climate Change (IPCC) released its sixth assessment report, stating that globally the last five years have been the hottest on record since 1850 and that it is 'virtually certain' that hot extremes including heatwaves have become more frequent while cold events have become less frequent and less severe.

## November 2021-

### 1) Mitigating climate change;

- Significant work streams are being delivered to reduce council carbon emissions and support decarbonisation across Adur & Worthing. Last year (2020/21), Council emissions fell by 7.4%.
- Govt data shows Adur & Worthing carbon emissions continue to fall year on year, with housing and industry related emissions dropping faster than transport mainly due to decarbonisation of electricity. However, these reductions are not on track to achieve net zero and radical transformations are needed to accelerate reductions. Data is published 2 years in arrears:

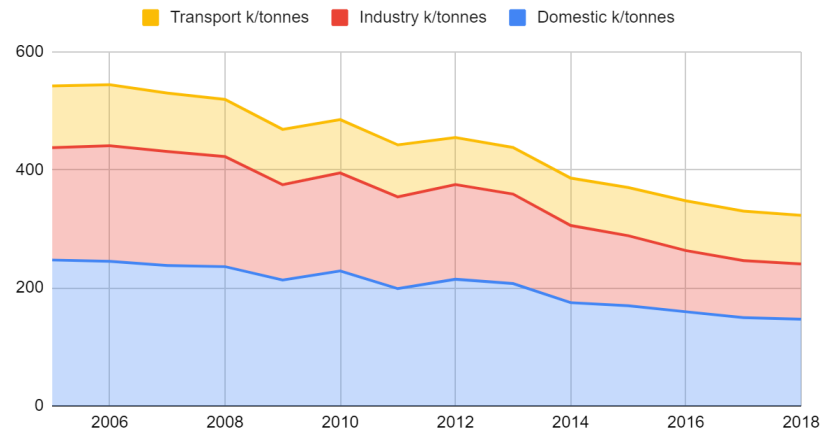
ADUR Annual Carbon Emissions (thousand tonnes/year)



transport, energy and water systems and the built environment.

- Lobbying government for a more robust approach to the multiple threats of climate change.

WORTHING Annual Carbon Emissions (thousand tonnes/year)



- Adur DC and Worthing BC have signed up to the Net Zero pledge with UK100 Cities to work towards achieving net zero emissions across Adur and Worthing by 2045.
- The Carbon Reduction team has secured Public Sector Decarbonisation Funding and are delivering £2m of capital projects identified as part of the Carbon Neutral Plan work with Technical Services and Adur Homes. These are projected to reduce emissions from the councils' estate by approximately 12% and a pipeline of future projects. Projects include 2 large Heat pump projects, insulation and energy efficiency projects and solar PV installations.
- The Worthing Heat Network project is now approaching the Commercialisation stage for a £12m scheme. The Council is now in receipt of a £5m HNIP (BEIS) funding agreement for Commercialisation & Construction funding. The scheme proposes to deliver a Worthing town centre heat network that will enable heat decarbonisation at scale based on a 3MW sewer source heat pump. The WHN consists of 28 connections of which 18 are public sector buildings or with 7 owners, 16 are WBC owned buildings or sites. The HN is expected to deliver

	<p>2454 tonnes CO2 savings per year when fully developed.</p> <ul style="list-style-type: none"> <li>● PV Sol Software has been acquired to support design work for solar PV installations in order to develop more opportunities without the need for external consultancy support.</li> <li>● The councils are involved in consortia to deliver Green Homes Grant Local Authority Delivery programmes (LAD). These aim to decarbonise homes through installing measures such as insulation, new heating technologies and solar PV to homes rated D,E,F &amp; G: <ul style="list-style-type: none"> <li>○ LAD1A, with SE Warmer Homes consortium, £3m to deliver measures in 300 homes</li> <li>○ LAD1B with SE Warmer Homes consortium, £60m to deliver measures March-Sept 21</li> <li>○ LAD2, South East Local Energy Hub, £79m, Sept-Dec 21.</li> <li>○ LAD3, with SE Warmer Homes consortium, bid amount tbc.</li> </ul> </li> <li>● Under the Solar Together Sussex scheme, over 700 households in A&amp;W registered interest to have PV and/or battery storage installed in homes in the first auction. Due to expected drop off rates these are expected to reduce to around 80 installations. A 2nd auction has just been run, with over 435 participating across A&amp;W..</li> <li>● The councils are collaborating with Brighton &amp; Hove City Council to call off their procurement framework and bring the highly successful BTN Bikeshare scheme into Adur &amp; Worthing including 50% electric bikes.</li> <li>● Work is progressing on a countywide electric vehicle charging network that would provide charge points across Adur &amp; Worthing on street and in council car parks. This would deliver one consistent, accessible, renewable powered EV charging network for West Sussex through a concessionary contract that is due to begin installing charge points in 2022.</li> <li>● Work is ongoing to collaborate with WSCC on the successful delivery of new cycling schemes located on county highways.</li> </ul>		
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	<p><b>2) Adapting to climate change;</b></p> <ul style="list-style-type: none"> <li>• Development of opportunities on council owned land, in and bordering Adur &amp; Worthing for offsetting, biodiversity, rewilding and climate resilience schemes in particular New Salts Farm, Pad Farm, the Adur Estuary and Kelp restoration as part of Sussex Bay with external partners (see Sustainability section below)</li> <li>• The Strategic Flood Risk Assessment has been updated and found that the following number of sites are predicted to be at risk of surface water flooding (Section 12): 41 development sites in A&amp;W: due to climate change, 21 sites are predicted to be at risk of fluvial flooding and 18 sites are predicted to be at risk from tidal flooding in the future.</li> <li>• Adur DC has approved project costs for coastal defence works at Kingston Beach</li> <li>• Technical Services are assessing flood risk on/in vicinity of council owned land/buildings to identify opportunities for projects to improve climate resilience.</li> <li>• Parks are planning to review opportunities for flood mitigation through an increase in permeable surfaces and rain gardens</li> <li>• Ongoing collaboration with external partners to investigate restoration of kelp forests as part of Sussex Bay could reduce storm surge and tidal influence on the shore line by 70%; and to investigate an Adur Estuary project to provide flood mitigation and multiple additional benefits.</li> <li>• The emerging Worthing Local Plan includes a new chapter on climate adaptation. Adur Local Plan will need to be refreshed to improve its response to Climate Adaptation</li> </ul> <p><b>3) Preparing for more frequent extreme climate events and impacts</b></p> <ul style="list-style-type: none"> <li>• Adverse weather impacts are considered by AWC Emergency Planning service based upon pan Sussex risks using the National Risk Register of Civil Emergencies. The Sussex risks are in the public domain available to all via the Sussex Police register.</li> </ul>		
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	<b>Covid-19 impact</b> - Created delays to those measures being delivered in homes, so to the Green Homes Grant LAD project and the Solar Together Scheme.		
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### Communities Directorate High Service

#### Risks and Projects

#### Housing

<u>Risk</u>	<u>Potential Effect</u>	<u>Internal Controls</u>	<u>Risk Impact</u>	<u>Risk Likelihood</u>
1. Rising costs of emergency and temporary accommodation	<p>Increased pressure on general funds</p> <p>Councils have to spend money on expensive B&amp;B type accommodation.</p> <p><b>COVID-19 pressures</b> have been significant and there have been additional placements into emergency accommodation. This has put significant pressure on EA/TA budgets, which is likely to continue during and beyond the COVID-19 restrictions as moving households into settled homes will present a challenge.</p> <p>October 2021 - some landlords requesting rent increases up to 15% on current charges</p> <p>August 2021 - Due to the impending changes in regulation of the private rented sector, more landlords are not renting to those on benefits.</p> <p>Post-pandemic demand has increased as there has been a reduction in private and social housing available to let.</p>	<p><b>November 2021</b></p> <p>Demand for emergency / temporary housing continues to increase, with an increasing number of families becoming homeless as well as single people there is also an increase in families as eviction bans end and furlough comes to an end.</p> <p>New supply: 19 units in Rowlands Road, Worthing and 8 in Phase 2 of the Downview development in Worthing are due for completion in November. Start on site has also taken place for 6 further flats in Adur District.</p> <p>We have a total of 67 lets on the Opening Doors Scheme, with a further 24 in the pipeline that we expect to sign up by the end of the year. We have also 'floated off' 16 tenancies, which means that, because they have been successful for two years, the council is no longer liable for the rent</p>	Major	Very Likely

	<p>As well as an increase in demand, households in temporary accommodation are likely to remain longer due to lack of move on accommodation.</p> <p>Particularly for single people there is an increase in complex support needs - the most affected age groups are U25s and over 50s with an increase in over 70s becoming homeless.</p>	<p>guarantees on those properties.</p> <p>We have completed a contract with a larger property developer, and 21 of the 24 pipeline properties in Worthing that will be let through the Opening Doors service. Individual landlords are also still showing interest in the scheme, despite the fact that rents are continuing to rise and LHA rates remain frozen.</p> <p>In addition x3 properties newly leased since January 2021 providing x30 units of accommodation</p> <p>We are also now working with our HMO emergency accommodation landlords to turn emergency accommodation placements into permanent offers of accommodation, where appropriate, through the Opening Doors scheme. We have so far completed successfully on two of these with a further two in the pipeline. With rising numbers of single person placements and lack of available move on accommodation, this is proving to be a very useful method in securing long term accommodation for this cohort.</p> <p>We are in discussion with RSL partners to develop move on options/accommodation to prevent homelessness.</p> <p>To expand prevention work, grant funding is to be used to provide additional staffing to resource Proactive and OneStop work to support those in need, connecting those</p>		
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		<p>threatened with homelessness to the support they need (e.g. debt/work/mental health/utilities and food support). COMF and Housing Support Fund will be used to sustain current homes of any tenure type where viable to provide a buffer to support households back into work but to note that the top 2 reasons for homelessness are 'no fault' Section 21 notices i.e. no rent arrears or ASB but e.g. the landlord is selling the property and family/friends evictions which are situations that are not preventable.</p> <p>Once this is in place and households known to be threatened with homelessness have received support, data tools and comms will be used further to target those who are experiencing difficulties that could lead to homelessness expanding our prevention work.</p> <p>Referral routes and links with RSLs to carry out prevention work and provide support are established.</p> <p>We are working closely with all Duty to Refer agencies to agree housing plans to prevent homelessness as well as working closely with probation to ensure prison releases not owed a housing duty under HRA are provided accommodation under probations CAS3 scheme with support to secure private sector accommodation.</p> <p>Monthly young persons panels are now established.</p>		
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<p>2. Overall Risk of increasing demand for housing advice and homelessness applications</p>	<p><b>November 2021</b> - More landlords will seek to evict following the easing of restrictions on evictions. As the furlough comes to an end and financial support is ended there is a risk that more people lose employment and get into financial difficulties and cannot maintain accommodation. There has been an increase in the number of people presenting as homeless.</p> <p>Impact on front line service delivery for customer services in terms of Contact Centre and front line services from Portland House.</p> <p>Increased waiting time for housing advice and casework.</p> <p>Increased costs of temporary and emergency accommodation.</p> <p>Increased competition for limited affordable housing supply.</p> <p>Risk of not meeting legal obligations of the Homelessness Reduction Act 2017</p> <p><b>Covid-19 impact</b> has caused the demand to increase significantly.</p>	<p>Triage system implemented to provide advice and guidance at the earliest opportunity to reduce presentations as homeless.</p> <p>Create more housing options for those at risk of homelessness via the Acquisitions and Landlord Support Team dedicated to seeking private sector accommodation</p> <p>Early identification of potentially vulnerable individuals and families to the development of multi agency pathways eg hospital discharge and care leavers. Better joint working with agencies to prevent crisis presentations.</p> <p>Improving Communication and digital offer to increase customer self service and understanding of alternatives with the aim to reduce administration and officer time processing applications.</p> <p>Working with partners across sussex in Sussex Home-Move Partnership to implement the new Home Connections System Better recording and case management.</p> <p>Improve the Housing Team performance.</p> <p>Trialling different methods of assessing people's needs.</p> <p>Capacity of Portland House being assessed.</p>	<p>Major</p>	<p>Very Likely</p>
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		Service redesign - This has created 3 additional officer posts to provide advice.		
<p><b>Adur Homes</b></p> <p>1. Compliance - Fire, Gas, electrical and water quality (Adur Homes)</p>	<p>1. Death/injury/illness. - Fire/safety related; - water borne disease (legionella)</p> <p>2. Potential legal action and-or claims. - Legal action against accountable staff (up to Head of paid Service) - compensation and or other claims for injury etc</p> <p>3. Financial risk -Of managing service failure and loss of accommodation</p> <p>4. Reputational risk -see above</p> <p>5. Loss of use of premises and personal impact to tenants as well as operational and financial risk to councils - see above</p> <p>6. Court judgement relating to BSW case. Judge found in favour of contractor and Council requested to make a fee. Wider impact risk now because two other contracts awaiting adjudication.</p> <p>1-5 Can result from a failure to comply with regulatory standards around Fire/Gas/Electrical and Water Safety and/or implement action plans agreed with WSFR and other bodies.</p>	<p><b>November 2021 -</b> Actions being undertaken as part of the Adur Homes transformation plan to improve the service. Transformation Manager now in post to take this forward. Housing working with a consultancy firm to make sure we undertake compliance obligations. Focus on this work includes gas safety, fire safety, asbestos, lifts, legionella and general health and safety. A Task and Finish Group has been set up which is chaired by the Director for Economy.</p> <p>Compliance Manager has introduced a weekly compliance review and actions</p> <p>Fire Safety Manager Appointed and Compliance &amp; Fire Safety Officer being recruited. Fire action plan in place.</p> <p>Quarterly meetings being held with WSFRS. FRAs being completed as part of an agreement with Potter Raper and include loft spaces, void risers and service cupboards.</p> <p>Works required have been assessed and prioritised according to risk by the new Fire safety Officer. Several fire remedial works are now being implemented across our stock. This includes our estate wide front</p>	Extreme	Moderate

		<p>entrance fire door replacement programme. Engagement with leaseholders to identify and support them to bring their doors into compliance with the current legislation, is also ongoing.</p> <p>Adur Homes and Council Business &amp; Technical Services Teams continue working together to deliver a range of compliance projects eg. Fire doors/landlord electrical - Smoke detection and emergency lighting.</p> <p>Water tanks now inspected and plan in place to replace them when necessary.</p> <p>April 2021 - Gas safety monitoring and compliance at 99.34%.- 15 overdue. New contract has been implemented.</p>		
<p>4. Housing Revenue Account - Financial sustainability as a result of Rent Reduction Policy and Rent collection levels - Impact on budget and service provision</p>	<p>1. Financial</p> <ul style="list-style-type: none"> <li>-Reduced ability to Invest in capital expenditure to maintain buildings and properties and new homes</li> </ul> <p>2. Operational</p> <ul style="list-style-type: none"> <li>- Limited ability to deliver good quality services and meet customer need</li> <li>-Ability to cover day to day repairs and maintenance</li> </ul> <p>3. Business Sustainability/failure</p> <ul style="list-style-type: none"> <li>-deficit budgets set for forthcoming years, any further uncertainty could result in business failure</li> </ul>	<p>Some vacant posts put on hold and working to manage spend in maintenance and repairs. Contracts being prioritised for retendering. Some potential repairs are being considered for implementation through the Capital Improvements programme. A savings plan will be created to manage HRA.</p> <p>30 year business plan shows the potential to outlive the issues highlighted if the service is able to raise rents post 2020</p>	Major	Likely

	<p>Background - Until 2020 the Government requires all social housing providers to reduce their rents by 1% each year.</p> <p>This creates a financial pressure over the next 3 years.(£0.68m in 2018/19 and by 2020/21 this will have increased to £1,944,000)</p> <p>Arrears level is running at 3.19% (£452,202). Good practice benchmark is 1%.</p> <p>Loss of income to the HRA.</p> <p>Use of reserves.</p> <p><b>Covid-19 impact</b> - rent arrears are expected to be higher.</p>	<p>Reviewing what services we offer with the budget available.</p> <p>Prudent management of revenue budget</p> <p>Focus on reducing rent arrears and being monitored monthly by the Head of Service.</p> <p>Engagement with Wellbeing and Housing Solutions staff to promote budgeting and financial inclusion strategies.</p> <p>Income streams review taking place.</p> <p>Increase in rent by 2.7% in the next Financial Year and for next years there will be increases at CPI plus 1%.</p>		
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### **Digital & Resources Directorate High Service**

#### **Risks and Projects**

#### **Financial Services**

<b><u>Risk</u></b>	<b><u>Potential Effect</u></b>	<b><u>Internal Controls</u></b>	<b><u>Impact</u></b>	<b><u>Likelihood</u></b>
<p>1. Risk to overall financial position - Known areas of risk within the budget eg Income from demand led services, outcomes</p>	<p>1. Go over budget 2. Do not have resources to meet priorities.</p> <p><b>Covid 19</b> will have a significant impact on the Council's budgets both in 2020/21 and in future years. Full extent of the impact is currently being assessed.</p>	<p>There is a commitment by the Government to support Councils in the first quarter of 21/22 to mitigate the impact of Covid 19 on the Councils budget. In addition the Councils have approved contingency in 2021/22 budgets to further support the position.</p>	<p>Major</p>	<p>Likely</p>



<p>of job evaluation, Pay award higher than assumed.</p>		<p>Council holds reserves to manage the risk of lost income.</p> <p>Where a service has been identified as being at risk a close monitoring regime is put in place.</p> <p>The enhanced monitoring for CLT for areas of commercial risk is continuing.</p> <p>Proactive control of discretionary spend implemented to help resolve areas of overspend within the budget.</p> <p>Budget management strategy in place to build reserves and to better manage risks.</p> <p><b>Covid-19</b> - Developing a new strategy to help address the financial implications of the Covid-19 emergency.</p> <p>As a result of Covid 19 pressures, enhanced budget controls implemented with all vacant posts being reviewed by Directors prior to recruitment, maximised the amount of underspend placed into the working balance at the year end to mitigate financial risks, all unnecessary spend is on hold until the financial position is more secure</p>		
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<p>2.Future spending requirements are under-estimated - Budgets are insufficient to fund core costs leading to an overspend</p>	<p>Budgets are insufficient to fund core costs leading to an overspend.</p> <p><b>Covid-19</b> having a significant impact on the future cost of services. Budgets are currently insufficient to fund costs and an overspend is expected for 2020/21.</p>	<p>The Councils have reviewed the new Medium Term Financial Plan and identified the likely shortfall for 2022/23. It is now likely that the fairer funding review is being delayed until 2023/24 which makes future planning difficult</p> <p>Council has set a balanced budget for 2021/22 including building in capacity to fund Covid 19 risks.</p> <p>Closely monitor progress through Budget/ Performance Monitoring. • Where issues are identified, built into the budget for the following year.</p> <p>Proactive management of discretionary budgets to manage in year pressures.</p> <p>Annual savings and budget exercise now in progress to reset budget and deal with areas of high pressure.</p> <p>Staffing budgets are very carefully controlled.</p> <p>Rigorous process for establishing new posts. Other staffing controls – recruitment and selection. Controlling vacancy filling and monitoring against targets.</p>	<p>Major</p>	<p>Likely</p>

		Deferral of expenditure where possible to help mitigate the current financial position.		
3. Future resources from Government are less than assumed	Budget shortfall is understated leading to a greater level of savings. Particular issue in the 21/22 Financial Year is likely due to fairer funding review.	<p>Lobby Government for an appropriate resource distribution. • Take action to reduce the overall cost of services or increase income where possible.</p> <p>Councils have responded to new Business Rate retention scheme proposals.</p> <p>Councils have responded to the fairer funding review consultation. Councils have responded to the Local Government settlement consultation.</p> <p>Councils have now received a 1 year settlement for 2021/22.</p> <p>Awaiting the outcome of the Fairer funding review which has been delayed a further year due to <b>Covid 19</b> impacts.</p>	Major	Likely
4. General risk of not finding significant budget savings from both Councils.	Impact on ability to balance the budget to deliver the Corporate Priorities and priority services.	<p>Sufficient savings have been identified to meet 2020/21 budget pressures.</p> <p>Introduced Medium Term Financial Plan Tracker to check savings over 3 years. Significant progress has been made in identifying savings for 2021/22. Risk is now for the 2022/23 budget round which is in progress.</p>	Major	Likely

## Joint Governance Committee - 23 November 2021

### Major Projects Risks

<u>Risk</u>	<u>Internal Controls</u>	<u>Project Timeline</u>	<u>Risk Impact</u>	<u>Risk Likelihood</u>	<u>Risk assessment</u>
<p>Union Place development - Risk that the Council will be delayed in bringing the site forward as a mixed use development.</p>	<p><b>November 2021 update</b> - S106 agreed. Planning permission to be issued. Marketing of the site undertaken and bids currently subject to evaluation and due diligence.</p> <p>LEP funding drawn down and spent.</p> <p>Development partner (LCR) in agreement.</p> <p>Project Plan, resources and funding in place.</p> <p>Update reports to the Joint Strategic Committee.</p> <p>Site to be marketed to find a Partner Developer.</p> <p>Decision to dispose of the permitted scheme to development contractors who will build to the Council's approved masterplan. Marketing agent appointed and will commence summer 2021. Appointment of consultants to protect Council's position and financial safeguards to be put in place to manage or reduce the level of the risk.</p>	<p>Construction of the site is expected to commence in late 2022.</p>	<p>Minor</p>	<p>Unlikely</p>	<p>Low</p>
<p>Decoy Farm development - Risk that a new commercial/industrial development is delayed and that the commercial benefits to the Council of owning a large industrial estate are not realised.</p>	<p>First phase of the development to decontaminate the site has been realised using the Coast to Capital LEP funding significantly reducing the risk as there is now no chance of losing the grant funding. A business case is being prepared for the development of the site for mixed industrial and commercial development and a planning application and construction tender will follow in 2022. Risk reduced to Low Risk.</p>	<p>It is anticipated that a detailed planning application will be submitted in Summer 2022 with a commencement of the first phase in late 2022/ early 2023.</p>	<p>Minor</p>	<p>Unlikely</p>	<p>Low</p>

	<p>Local Growth funding of £4.84 million secured to reduce the risk of the project and to ensure a viable redevelopment.</p> <p>Work completed to inform development proposals. Business case prepared and submitted to Coast to Capital. Funding drawn down.</p> <p>Deliverable development strategy in place.</p>				
<p>Development of Adur Civic Centre (Phase I and Phase II) will not proceed or will be delayed and the social, economic and environmental benefits of development will not be realised.</p>	<p>Phase I - Management of construction. (Complete).</p> <p>Phase II - Project plan for bringing site to market. - Site advertised for disposal/development going through process.</p> <p>Disposal of site agreed to Hyde Housing Group. Application submitted and due to be considered at the end Nov/early Dec 2021.</p>	<p>Construction on site for housing development in early 2022.</p>	<p>Moderate</p>	<p>Unlikely</p>	<p>Medium</p>
<p>Redevelopment of the Grafton Car Park site in Worthing is not realised</p>	<p>October 2021 - Development strategy as set out in JSC ireport is being progressed however at a delayed pace following the purchase of Teville Gate to which significant resources have been diverted. The current car park is continuing to be maintained to ensure that it remains a safe and secure asset.</p> <p>December 2020 - Report considered at JSC which approved next steps in project.</p> <p>Progress being made on resolving technical and title issues.</p> <p>Condition survey of car park undertaken and structural survey to inform car parking strategy.</p> <p>Purchase of retail units in Montague Street to give greater control of the retail units affected by the proposed redevelopment.</p> <p>Options appraisal of site undertaken to inform revised development brief for the site.</p>	<p>Anticipated commencement on site in 2024</p>	<p>Moderate</p>	<p>Moderate</p>	<p>Medium</p>

	<p>Work to be undertaken to assess site constraints and the overall viability of the preferred development option.</p> <p>To continue to purchase additional retail units in Montague Street to secure the optimum redevelopment scheme.</p> <p>Work underway to address key development issues, party wall, rights to light, access act, procurement and parking.</p> <p>Wider town centre parking strategy produced and agreed by the Joint Strategic Committee.</p>				
<p>Provision of flood defence walls on the Sussex Yacht Club site - Risk of further flooding if defence walls are not built</p>	<p>LEP funding secured (£3.5 million). Further gap funding (as necessary) agreed at July 2020 JSC meeting following procurement. Demolition of the existing club house took place in October 2021 as an initial first step. Some further flood modelling is required to assess the impact of the flood defence barrier on fluvial flooding.</p> <p>Approval from JSC in January 2017 to purchase land to undertake flood defence works and to seek planning permission for demolition of buildings on site to construct flood defence walls.</p> <p>Purchase of land completed. Works commenced Summer 2019 for new club house and new flood defence works to commence in late 2021.</p>	<p>New flood defence works to commence in late 2021. Demolition undertaken in October 2021</p>	Moderate	Rare	Low
<p>Redevelopment of the Worthing Civic Centre car park site for approved Health Centre in Worthing - Risk that the redevelopment does not proceed or is delayed.</p>	<p>October 2021 - Heads of Terms agreed with various tenants allowing Council to proceed with construction contract. Commencement on site in November 2021.</p> <p>May 2021 - Tender process complete and price within the financial envelope to ensure it is viable. Ongoing work with tenants to ensure that agreements to leases are signed before the Council enter into the construction contract. Final business case approved at March 2020 JSC committee.</p> <p>August 2020 - Planning permission granted.</p> <p>Outline Business case produced in Autumn 2019.</p>	<p>Construction is confirmed to commence in October/November 2021 and anticipated completion is spring 2023.</p>	Moderate	Unlikely	Low

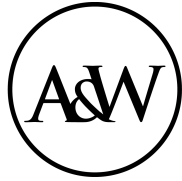
	<p>Meetings with relevant Health authorities/NHS to resolve issues around Head Lease and ensure overall business case is approved by the NHS Project Appraisal Unit.</p> <p>One Public Estate Bid through Greater Brighton Economic Board to secure investment into the project.</p> <p>Detailed feasibility studies and a 5 part business case using One Public Estate funding to access development options and to inform a new development brief for the site.</p> <p>Measures in place to fund proposal and appointments made to secure planning permission.</p> <p>Procurement strategy agreed and underway. Funding strategy agreed.</p>				
Teville Gate redevelopment site, Worthing - Risk of delays in the development	<p><b>November 2021 update</b> - Council has now purchased the site on its own and will be looking for a partner developer and temporary uses on the site pending redevelopment. New scheme to be progressed in 2022 and planning application to follow.</p>	The development strategy will be subject of a forthcoming JSC paper but it will focus on commencing on site in 2023.	Major	Moderate	Medium
New Monks Farm/Shoreham Airport - Risk of failing to deliver housing and employment as set out in the Local Plan if the development does not proceed.	<p><b>November 2021 update</b> - Ikea is marketing the site for alternative development in the next two months. Reserved Matters application submitted for commercial development at Shoreham Airport due to be considered in January 2022.</p> <p>August 2021 - Risk increased to Medium. Ikea has announced it will not be building a new store and it is to market the site later this year. Meanwhile work proceeds on the infrastructure and work recently started on the roundabout. Permission also granted for the 4th arm serving Coombes Road.</p> <p>April 2021 - All LEP funding paid to developers as the infrastructure (new gypsy and traveller site and roads)</p>	Construction of houses underway.	Moderate	Likely	Medium

	<p>completed. Housing being built and delivery of Ikea store dependent on completion of roundabout on the A27.</p> <p>August 2020 - Construction work started on site and Cala Homes building the first few properties.</p> <p>Planning approval secured for business development on a site allocated in the Adur Local Plan to secure long term income streams necessary to improve the long-term financial stability of the airport operation.</p> <p>The new owners of the airport have engaged with local agents and businesses to now take forward the approved employment floorspace (25,000 sqm).</p>				
Shoreham Harbour regeneration - Risk that site is not developed and housing and employment envisaged by Local Plan is not delivered.	<p>October 2021 - Two further applications submitted for Frosts and Howard Kent sites.</p> <p>April 2021 - Low Risk as sites are coming forward more quickly than expected. Site allocated on the basis that it would take 15 years to bring forward.</p> <p>January 2021 - Resolution to grant permission at Kingston Wharf and applications expected for 3 other Western Harbour Arm sites.</p> <p>Taking a proactive stance dealing with high density planning applications and seeking external funding.</p> <p>Planning permission now granted for Kingston Wharf securing a further 255 homes and commercial floorspace. As a result a total of 795 dwellings already approved and an application for a further 200 expected therefore the level of development envisaged by the Local Plan has been reached. Work has started on 540 homes and the Hyde scheme starting in 2021.</p>	Work has started on construction of housing.	Moderate	Rare	Low
West Sompting redevelopment - Risk of		Awaiting the signing of the S106 Agreement	Moderate	Moderate	Medium



<p>failing to meet Local Plan housing targets and deliver affordable housing if development does not proceed.</p>	<p><b>November 2021 update</b> - Planning application approved and awaiting the signing of s106 agreement.</p>				
<p>Chatsmore Farm redevelopment - Risk to strategic gap and emerging Local Plan if development proceeds</p>	<p><b>November 2021 update</b> - Public inquiry now set for 18 January 2022.</p> <p><b>August 2021 update</b> - Persimmon Homes has indicated that it will go for a public inquiry.</p> <p><b>April 2021 update</b> - Planning Permission refused at Committee in March 2021. Developer may appeal.</p>	<p>Unknown.</p>	<p>Major</p>	<p>Moderate</p>	<p>Medium</p>

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ADUR & WORTHING  
COUNCILS

Joint Governance Committee  
23 November 2021

Ward(s) Affected: All

## Community Cohesion Committee

### Report by the Interim Director for Communities

#### Officer Contact Details

Tina Favier, Interim Director for Communities, 07850 900266.

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#### Executive Summary

##### 1. Summary

- 1.1 At Worthing Council meeting in October 2021, Members agreed to establish a Community Cohesion Committee, to be Chaired by Councillor Hazel Thorpe, the purpose of which is to “tackle harmful ideologies and radicalisation in our community”.
- 1.2 This report sets out the process for engagement to establish this Committee along with the timeline for the formation of the terms of reference. It also proposes that this is developed as a Joint Committee across Adur and Worthing.

##### 2. Recommendations

- 2.1 The Joint Governance Committee is recommended to:
  - To note the recommendation from Worthing Council and to consider and agree to this as joint work across Adur and Worthing;
  - To agree, as set out in the report, to the work being proposed with Bridging Change, who can provide an independent voice together with the challenge and engagement needed for this work, as an

extension of their original contract;

- To agree the formation of the initial working group, as set out in this report, enabling a participatory approach to forming the Community Cohesion Committee in March / April as a joint Adur and Worthing Committee;
- To accept a further report back to the Joint Governance Committee in March 2022 to consider the proposed terms of reference for the Committee prepared by the Working Group in consultation with Members and Bridging Change, and thereafter to make recommendations to Full Council on the proposals.

### **3. Context**

- 3.1. Following the October meeting of Worthing Council, Members agreed to establish a cross party Community Cohesion Committee, with the purpose of “tackling harmful ideologies and radicalisation in our community”. It was requested that this Committee be provided with a remit of liaising with and considering suggestions from Community Groups, Outside Bodies and Political Parties along with a remit of “advising the Council’s Leadership Team on the implementation of those recommendations that fall under their remit.”
- 3.2. As part of our newly forming participation approach, Council Officers have recently developed a new commission, with the explicit purpose of developing greater participation with and bridging the gap between the Councils and minoritised ethnic communities in Adur and Worthing. [Bridging Change](#) have been commissioned to deliver this work between November and March 2022, before this request to establish a Community Cohesion Committee was made by Worthing Members. As a well established and experienced organisation, Bridging Change brings independence and credibility into this space and a strong track record of working with and empowering minoritised ethnic groups, communities and individuals.
- 3.3. The purpose of this commission is to connect with minoritised ethnic groups in Adur and Worthing, especially around the impact of Covid-19, using an asset based approach (focusing on strengths, skills and passions) and to facilitate deep listening and internal reflection for Officers and Elected Members, to inform new ways of working with minoritised ethnic groups that address local health, social and economic inequalities.

- 3.4. Whilst it is a relatively short commission, the aim is to use this as a means of developing the learning that can establish what and how the Councils need to do this work from April and into the longer-term to achieve better and more collaborative working relationships with minoritised ethnic community partners and organisations. The aim has always been to use this commission to influence the work and approach of our Councils' to provide more equitable ways of working and enable greater participation in local decision making. As part of this Bridging Change were asked to design work with a group of Officers and Elected Members between December to March 2022.
- 3.5. This commission is therefore timely given the request by Members in Worthing to form a Community Cohesion Committee to connect this work needed to inform, establish and influence this work. A summary of this is provided in Appendix 1, referred to as the MEC project (Minoritised Ethnic Communities).

#### **4. Issues for consideration**

- 4.1. Whilst the request to form a Community Cohesion Committee has been made by Worthing Members, it is proposed that this Committee be formed between the two Councils as a shared Joint Committee for Adur and Worthing. The engagement work can then be focused on working with minority ethnic communities across Adur and Worthing and will enable this work to form part of the overall change needed across the two Councils.
- 4.2. Initial conversations have been held with Bridging Change to help inform the development of the Community Cohesion Committee and to connect this into the main work they have just been commissioned to deliver. This will involve Bridging Change providing additional support and challenge for Members and Officers, to develop a Community Cohesion Committee so that it has real purpose and intent and that this is informed by and involves minoritised ethnic communities.
- 4.3. To ensure this committee is established with real purpose and intent and in ways that involve minoritised communities in meaningful ways, it is proposed that initially a cross party Working Group is established ahead of the committee, to help ensure real participation in its design and purpose. An initial timeline being developed is being shaped as set out below:

##### November/December:

- Officers work with Group Leaders to nominate representatives to be involved in this cross party Working Group;
- Officers establish the Working Group for Community Cohesion;

- Bridging Change to help facilitate conversations with Working Group Members to determine the terms of reference;
- Bridging Change identify and hold some initial conversations with key groups and individuals to help inform the engagement work in January;
- Bridging Change develop the participation work and approach for January to March with minoritised ethnic communities;

#### January/March:

- Officers in consultation with Members prepare a report for Joint Governance Committee with the outline terms of reference for the Community Cohesion Committee;
- Bridging Change undertake the engagement work with minoritised ethnic individuals and communities about community cohesion and develop good relationships to ensure good qualitative data is gathered and used to inform Members;
- Bridging Change uses this work to engage Lay Members from minoritised ethnic groups to be involved in this Committee;
- Bridging Change to work with Members of the Committee to help ensure they are well informed, involved and engaged in this work;

#### March/April

- Officers produce a report for Joint Governance, using the engagement findings to develop and establish the cross party Community Cohesion Committee, which includes Elected Members and Lay Members;
- The wider results of the Minoritised Ethnic Communities Commissioned work will be available and used to inform this Committee and its terms of reference through a set of recommendations.

#### June

- Training for all Members will be developed and carried out to capture new and existing Members.

## **5. Engagement and Communication**

- 5.1. As detailed above, Bridging Change along with our Officers will be shaping up the additional engagement work with Members and communities to inform this and this will be costed. This will help shape and strengthen the involvement of communities in the formation of this Committee and ensure it has a clearer sense of purpose and terms of reference that are rooted in experiences of minoritised ethnic individuals and groups.

- 5.2. It is also important to note that original MEC commissioned work (Appendix 1) will be connected into this work to help strengthen the involvement of communities in shaping this work and its core priorities.

## **6. Financial Implications**

- 6.1. Consideration will need to be given to the financial impact on members allowances. Currently all chairmen receive an allowance for their work which ranges from £2,530 - £5,070. In addition, the vice chairs receive an allowance of £1s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation,<sup>270</sup>. Consequently the establishment of a new committee is likely to cost at least £3,800 with additional costs likely in terms of committee support, member expenses, remuneration for any independent member and the development of the work programme.
- 6.2. The additional work required to engage Members and Minority Communities in the formation of the Working Group is being costed up by Bridging Change. Given the time constraints in reporting to this Committee, these costs will be shared verbally with Members.

## **7. Legal Implications**

- 7.1. In extending the Contract with Bridging Change, regard must be given to the Councils' Contract Standing Order procedures found at Part 4 of the Constitution.
- 7.2. s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation
- 7.3. Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 7.4. Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 7.5. In preparing the terms of reference for the working group and for the proposed Committee, Officers will need to consult with Democratic and Legal Services for governance and constitutional advice.

**Background Papers**

None.



## **Sustainability & Risk Assessment**

### **1. Economic**

Supports the development of more inclusive economies that support and enable minoritised communities.

### **2. Social**

#### **2.1 Social Value**

This builds social value within our communities with minoritised ethnic individuals and communities

#### **2.2 Equality Issues**

Report supports the Councils' equalities obligations through involving and enabling participatory approaches to how we understand and work with minoritised ethnic communities.

#### **2.3 Community Safety Issues (Section 17)**

Supports community safety issues by reaching out to different communities.

#### **2.4 Human Rights Issues**

Matter considered and no specific issues to raise/address

### **3. Environmental**

Matter considered and no specific issues to raise/address

### **4. Governance**

- There are implications for Councils in terms of using this work to establish a new Committee as set out in the report.
- This work will influence and improve the Councils' Equalities work
- There are implications around resourcing for Officers in terms of carrying out this work and the work to resource this committee which will need to be considered.

## Appendix 1

### Minoritised Ethnic Communities in Adur and Worthing, COMF Project Brief

#### 1. Purpose

1.1. This is a brief for Adur and Worthing Councils to secure a research and community development partner to work with us to start to bridge the gap between the Councils and our minoritised ethnic communities.

1.2. This project is being commissioned as part of the COMF programme to support vulnerable people and communities and improve public health outcomes for those impacted by the Covid-19 pandemic.

#### 2. Project objectives and anticipated outcomes

##### 2.1. Short-term

- a) To connect Adur and Worthing Councils with Minoritised Ethnic Communities.
- b) To collect qualitative data on minoritised ethnic communities' local experiences before and during the COVID-19 pandemic.
- c) To facilitate inter-community connections between minoritised ethnic communities in the spirit of ABCD.
- d) To identify community strengths and assets as a platform from which to build future collaboration.
- e) To identify future collaborative partners and partner organisations.
- f) To recommend future collaborative 'ways of working' with minoritised ethnic communities.
- g) To facilitate deep listening and internal reflection on the part of A&W Councils that will inform new ways of working with minoritised ethnic communities.

##### 2.2. Medium term

- a) To start to develop collaborative working relationships with minoritised ethnic community partners and organisations that will enable project outcomes to inform the development of the Councils' policies and services.

##### 2.3. Long term

- a) Collaborative partnership with minoritised ethnic community groups and organisations.
- b) More equitable services and ways of working.
- c) Greater participation of minoritised ethnic communities in local decision-making.

### **3. Background**

#### **3.1. Policy Context**

##### **3.1.1. Equalities**

A&W Councils humbly recognise the ways in which the Covid-19 pandemic has brought into sharp focus the significant and long-standing social and economic inequalities experienced by people living in the UK.

Among those groups disproportionately affected by the pandemic, The Marmot report has identified minoritised ethnic communities as at greater risk of unemployment and financial hardship due to long-standing systemic and structural inequalities.<sup>1</sup>

In this context, A&W Councils are determined to address local inequalities by listening hard to our communities, making better use of better data and working in strategic partnership (both internally and with community partners).

Central to this endeavour is the Councils' commitment to develop qualitative, participatory approaches to working with minoritised communities AND to grow participation capabilities and practices across Council teams and departments.

##### **3.1.2. Health and Wellbeing**

A&W Councils recognise the key role local government has to play in shaping thriving communities by influencing actions that can address health and social inequalities deepened by the pandemic.

Accordingly, the Councils' strategic priorities will focus on improving those conditions which we know have the greatest influence on people's health and wellbeing, including quality of housing, access to healthy food and open spaces, income and meaningful employment, community involvement and safer environments.<sup>2</sup>

The Councils have identified a number of key levers for improving these conditions including our community assets (parks, open spaces and community buildings), community infrastructure (support for the local voluntary and community sector as well as business), strategic partnership (e.g. A&W Safer Communities Partnership), and through promoting Good Work (jobs that promote wellbeing, that grow and develop skills and capabilities and provide financial security).

### **4. Project Research and Development Focus**

#### **4.1. Bridging the knowledge gap**

Within the policy context outlined above, it is hoped that this project can start to bridge the gap between the status quo and the Councils' ambition to work in

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<sup>1</sup> [Build Back Fairer: the Covid 19 Marmot Review; December 2020](#)

<sup>2</sup> HealthAW 2021-24 Health and Wellbeing Strategy Adur and Worthing Councils p2-3

partnership with minoritised ethnic communities to address local health, social and economic inequalities.

The Councils are keen to learn from minoritised ethnic communities' experiences and for the project to lay the groundwork for future relationships and partnerships which will enable inclusive approaches to developing access to and participation in our community assets, community infrastructure, community partnership and good work programmes.

The Councils also recognise that for this to happen, there needs to be a shift in ways of working internally. It is hoped that this project can offer insight into the kinds of behaviours, practices and knowledge that will enable council officers and teams to work collaboratively with each other and with minoritised communities.

#### **4.2. Demographic groups**

Councils are keen to learn about experiences from different demographic groups within our minoritised ethnic communities including:

- Women
- Carers
- Young People
- People working in those sectors impacted significantly by the pandemic (retail, hospitality, healthcare)
- Unemployed people and people claiming benefits.
- People with disabilities.

#### **4.3. Community groups, associations and future partners**

Additionally, Councils intend this project to reach out to those community groups and associations which are led by and/or serve our minoritised ethnic communities to help us identify future partners.

### **5. Project roles and responsibilities**

#### **5.1 Consultants**

A&W Councils are keen to work with consultants, who share our commitment to participation / Asset Based Community Development (ABCD) and have a track record of working successfully with participatory methods and approaches with minoritised ethnic communities. In delivering on the project brief, consultants will help A&W councils start to bridge the gap between local government and minoritised ethnic communities by:

- Beginning the process of relationship-building with minoritised ethnic communities in A&W

- Upskilling internal and external participants and partner organisations on participation / participatory and ABCD methods
- Offering critical friendship to A&W Councils

### **5.2 Project lead**

The project lead will be Ruth Pineda, Communities Participation Co-lead. The Project lead will be responsible for:

- Commissioning the Project
- Facilitating internal participation at A&W
- Supporting consultants through regular check-ins

### **5.3 A&W Inquiry group**

The Project lead will invite Council Officers (including Equalities Leads and Communities and Wellbeing Leads) and our elected members for Health and Wellbeing to participate in an inquiry group which will contribute to co-designing a process by which to achieve the project's medium and long term objectives.

## **6. Project deliverables**

### **6.1. A written report**

A written report on the findings of the project in relation to the short term objectives and outcomes outlined in section 2.1.

### **6.2. Facilitated internal critical reflection and co-design work with internal inquiry group**

This is likely to be in the form of a workshop where consultants facilitate the inquiry group to reflect critically on the project findings and co-design a process whereby the findings can inform policy planning and future programmes of work.

### **6.3. Facilitated dialogue and co-design work with internal and external project participants.**

This is likely to be in the form of a workshop or workshops where participants from the community and from A&W Councils can explore what future relationships / collaboration might look like and what steps will be taken to achieve this.

## **7. Timeframe**

The project will commence in November 2021 and be completed by 30 March 2022.

## **8. Budget**

A final budget will be agreed following the project proposal by the appointed consultants. It should be noted that there is a £40,000 allocation in the COMF programme for this project.

Consultant's proposal will detail:

- The daily rate of all researchers involved in the work
- The number of days to be worked by each researcher in delivering the project
- Additional incidental fees for venue costs, travel, translation and remuneration of 'experts by experience' and community groups who participate in research training and activities.

### **9. Submission**

Consultants will provide a response to this brief for consideration by Adur and Worthing Councils' by 29th October 2021. The proposal will include:

- Project delivery strategy
- Methodology and methods
- Budgeting
- Reporting